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Report to the Honorable
Charles E. Grassley, U.S. Senate

October 1997

DEFENSE HEADQUARTERS

Total Personnel and Costs Are Significantly Higher Than Reported to Congress

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National Security and
International Affairs Division

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October 30, 1997

The Honorable Charles E. Grassley
United States Senate

Dear Senator Grassley:

Since at least the early 1970s, Congress has been concerned about the size of management headquarters in the Department of Defense (DOD). At your request, we reviewed DOD's program to account for its management headquarters and headquarters support activities. Specifically, our objectives were to determine (1) the accuracy and reliability of DOD's reported data on management headquarters and headquarters support personnel[1] and costs, (2) reasons that data on personnel and costs could be inaccurate, and (3) DOD's plans to reduce the size of its management headquarters and headquarters support activities.

Background

In 1972, after receiving inconsistent data on DOD headquarters from the military services, the House Appropriations Committee directed DOD to define headquarters functions, list headquarters activities, and develop a common method of accounting for headquarters personnel and costs. In response, in 1973 the Deputy Secretary of Defense issued DOD Directive 5100.73. Over the years, the directive has been revised and is now titled "Department of Defense Management Headquarters and Headquarters Support Activities."

The directive defines management as exercising oversight, direction, and control of subordinate organizations or units by (1) developing and issuing policies and providing policy guidance; (2) reviewing and evaluating program performance; (3) allocating and distributing resources; or (4) conducting mid- and long-range planning, programming, and budgeting. It defines headquarters support as professional, technical, administrative, or logistic support that is performed in, or provided directly to, a management headquarters. The definition includes both staff support and operating support (such as secretarial or computer support). It excludes specific products or technical and operating-type services that are provided on a DOD- or componentwide basis (such as payroll services) and base operating support functions provided by a host to all tenants.

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[1]Unless stated otherwise, we have used the term "personnel" throughout this report to connote positions for which funding has been requested or provided.

The directive includes a list of organizations that DOD classifies as management headquarters and headquarters support activities. This list includes the Office of the Secretary of Defense (OSD); the Joint Staff; defense agency headquarters; unified command headquarters; international military headquarters; and military department headquarters, including the headquarters of acquisition centers, major commands, and similar Navy organizations. In addition to the listed entities, the directive establishes criteria for DOD components to use in identifying other personnel and organizations that perform management headquarters and headquarters support functions. The directive, as implemented in DOD, requires that DOD annually report to Congress all military and civilian personnel and all budgeted funds for organizations identified under the directive. OSD and the military departments report this data to Congress on four separate budget documents, called PB-22 exhibits.

Many DOD management headquarters listed in the directive have numerous subordinate noncombat organizations that perform a wide variety of functions, from direct staff support to their parent headquarters to operating military academies. In the Army and Air Force, these types of organizations are called field operating agencies/activities, staff support agencies, or direct reporting units. The Navy has no specific term for these noncombat support activities—at the Department of the Navy level, they are a subset of "Echelon 2" organizations, a generic term for Navy organizations that report to the Secretary of the Navy or the Chief of Naval Operations (OPNAV).

In the past, we reported that DOD had an incentive to respond to pressures to reduce its management headquarters by transferring personnel to nonmanagement headquarters organizations. We also reported that past efforts to reduce headquarters personnel in OSD and military department headquarters were achieved primarily through transfers of functions and personnel to other organizations.[2]

Concerned that DOD's efforts to reduce its infrastructure, including headquarters, have lagged behind the cuts made in operational forces, Congress has taken several actions to reduce headquarters personnel. For example, in 1990, Congress ordered DOD to reduce total personnel assigned to DOD management headquarters and headquarters support activities by 20 percent over 5 years in order to bring the size of headquarters "into line

[2]Highlights of a Report on Staffing and Organization of Top-Management Headquarters in the Department of Defense (GAO/FPCD-76-35A, 1976), Defense Headquarters Staff Reductions: An Overview (GAO/FPCD-78-72, Oct. 2, 1978), and Staffing Data for Department of Defense Top Management Headquarters Organizations (GAO/FPCD-83-29, May 6, 1983).

with" legislated force structure and budgetary reductions. Also, in the National Defense Authorization Act for Fiscal Year 1997, Congress directed DOD to reduce OSD, its DOD support activities, and the Washington Headquarters Services (WHS) by 25 percent over 5 years.

Results in Brief

DOD's annual budget exhibits to Congress on management headquarters and headquarters support are unreliable because the number of personnel and costs are significantly higher than reported. As a result, neither DOD nor Congress can determine trends in headquarters personnel and costs to help them make informed decisions about the appropriate size of headquarters. During fiscal years 1985-96, DOD reported steady decreases in its management headquarters and headquarters support personnel—a 31-percent decline from about 77,000 to 53,000. However, these data did not include personnel at most of DOD's noncombat organizations that are subordinate to management headquarters. In our review of selected subordinate organizations, we found that almost three-fourths were primarily performing management or headquarters support functions and should have been reported to Congress by DOD, using the criteria in DOD Directive 5100.73. Also, a DOD study group concluded that DOD has about 81,000 management headquarters and support personnel, or 30,000 more than were reported to Congress in the President's budget for fiscal year 1998.

DOD's headquarters costs are also significantly higher than reported to Congress. DOD's data indicate that management headquarters and headquarters support costs decreased from $5.3 billion to $4.3 billion in constant 1997 dollars during fiscal years 1985-96. However, DOD's reported data did not include all costs, as required by its financial management regulation. In addition, cost data for management headquarters and headquarters support activities are scattered among several budget documents, making it difficult to determine total costs.

DOD's reported headquarters personnel and cost data are understated for several reasons. Sustained criticism from Congress about the size of DOD's headquarters has been a disincentive for DOD to accurately report the number of such personnel and their related costs. Thus, DOD has "played games" to "hide" management headquarters personnel from Congress, according to several Office of the Secretary of Defense and military service officials. Second, many DOD officials believe that they are required to report only personnel that make policy, allocate resources, or plan for the future, even though DOD Directive 5100.73 requires that headquarters

support personnel be reported. Third, the directive's criteria for analyzing organizations to determine whether they should be included in budget exhibits on management headquarters are complicated. Finally, oversight by the Office of the Secretary of Defense and the military services has been limited.

DOD faces challenges in reducing the size of its headquarters. While DOD wants to reduce the size and cost of its management headquarters to reallocate funds to other areas, it has not determined the scope of future reductions or developed a detailed plan for making the reductions. DOD is examining the effects of a possible 15-percent reduction in management headquarters and support personnel during fiscal years 1998-2003, a cut of about 7,650 more personnel than is currently programmed in its Future Years Defense Program. At the same time, a Defense Reform Task Force is assessing the missions, functions, and size of the Office of the Secretary of Defense and other headquarters. Determining whether and how much to reduce management headquarters is difficult because DOD has no generally accepted staffing standards to objectively size a management headquarters. Furthermore, DOD officials have a range of views on whether and how to reduce management headquarters further—some advocate significant reductions while others have no plans to reduce.

We are making recommendations intended to (1) simplify the criteria in, and expand the scope of, DOD Directive 5100.73 to generate more accurate and complete data and (2) provide Congress with a readily available summary of the total costs of DOD management headquarters and headquarters support activities.

Number of Headquarters Personnel Are Significantly Higher Than DOD Reports

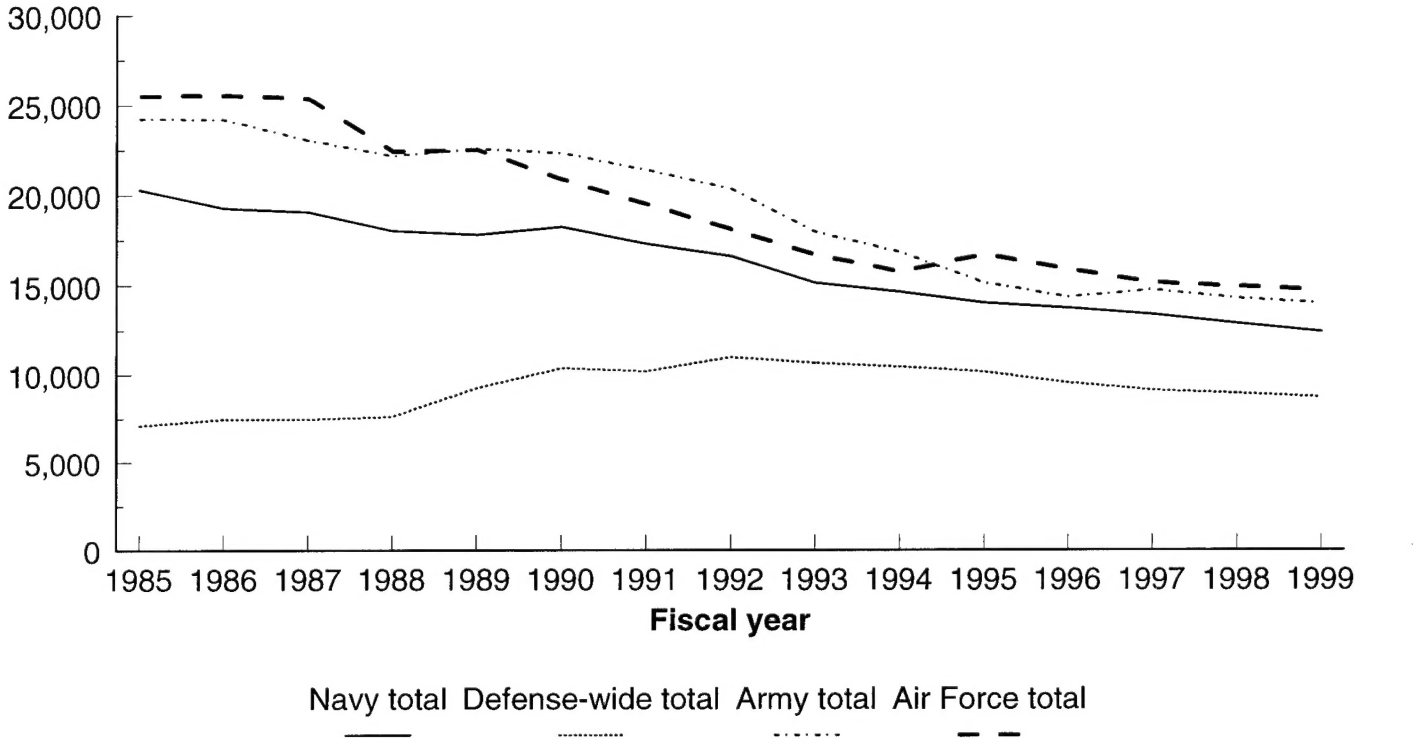
The total number of personnel associated with DOD's management headquarters and headquarters support activities are significantly higher than DOD has reported to Congress. DOD reported steady decreases in its management headquarters and headquarters support personnel from about 77,000 to 53,000 during fiscal years 1985-96, a 31-percent decrease. However, DOD does not report personnel at most of its noncombat organizations that are directly subordinate to management headquarters. In our review of selected subordinate noncombat organizations, we found that almost three-fourths of the organizations were primarily performing management or management support functions and should have been reported to Congress by DOD, using the criteria in DOD Directive 5100.73. Some personnel in these subordinate organizations had been part of headquarters, but they were transferred out of headquarters, or

reclassified as nonheadquarters, during periods when Congress mandated that DOD reduce its management headquarters personnel. For example, in 1992 the Air Force removed about 2,000 personnel in its numbered air forces headquarters from reporting under DOD's management headquarters program. We also found situations in which the military services use unusual accounting devices that distort the true size of organizations; in addition, the size of OSD is unclear because of definitional issues.

DOD Reported Steady Decreases in Headquarters Personnel During 1985-96

DOD reported steady decreases in its management headquarters and headquarters support personnel from about 77,000 to 53,000 during fiscal years 1985-96, a 31-percent decrease. These reported decreases were, to some extent, in response to reductions directed by Congress. This rate of decrease is somewhat less than the 36-percent decrease in combat forces over the same time period. Figure 1 shows reported personnel levels for management headquarters and headquarters support for past and future fiscal years.

Figure 1: Reported DOD Management Headquarters Personnel (Fiscal Years 1985-99)



Notes: Data for 1985-96 are reported actual values. Data for 1997-99 are estimates.

The Defense-wide category includes management headquarters personnel in OSD; OSD support organizations; the Joint Staff; and the headquarters of defense agencies, DOD field activities, and the U.S. Special Operations Command.

Source: OSD's Director of Administration and Management (OSD/DA&M) and DOD's PB-22 exhibits.

Although DOD showed a steady decline in management headquarters and headquarters support personnel overall, the Defense-wide category increased 34 percent, from 7,089 in fiscal year 1985 to 9,533 in fiscal year 1996. The increase in OSD alone was 23 percent—from 1,691 to 2,078 during this time. (See app. I for a discussion of OSD personnel.) The increase in Defense-wide personnel was especially high from fiscal year

1988 to 1990—from 7,599 to 10,347, an increase of 36 percent. During that time, an additional 1,500 personnel in the Defense Logistics Agency's management support activities (now called DOD support activities) were included in DOD's report, according to agency officials. Also, in fiscal year 1990, DOD's report included for the first time headquarters personnel from the U.S. Special Operations Command.

DOD projects smaller annual decreases in management headquarters and headquarters support personnel for fiscal years 1997-99 than those reportedly made during the last 10 years. Beyond 1999, DOD's estimates for these personnel are contained only in the Future Years Defense Program (FYDP), which shows a slight decrease, from 49,699 to 49,270 during fiscal years 2000-03. However, these projections do not include any changes that may occur as a result of implementing recommendations based on the Quadrennial Defense Review (QDR).

Almost Three-Fourths of Selected Organizations Should Have Been Reported

Based on our review of 40 noncombat organizations subordinate to the 10 management headquarters we audited, we concluded that DOD had not included 29 organizations and 2,853 personnel in its reports to Congress on management headquarters and headquarters support (see table 1). We selected organizations to review based on a variety of factors, including conditions that OSD/DA&M officials agreed may indicate that an organization is providing management support. These indicators, also called "red flags" by OSD/DA&M, are headquarters officials serving additional duty as senior officials in the subordinate organization (called "dual hatting"), transfer of personnel from headquarters to create or augment subordinate organizations, diverse functions that mirror headquarters functions, and collocation of the subordinate organization with its headquarters. Although the presence of one or more of these indicators is not conclusive, it led us to perform the analysis called for in DOD Directive 5100.73.

Table 1: Review of Subordinate Noncombat Organizations That Report to Management Headquarters

Management headquarters	Subordinate noncombat organizations[a]	Total subordinate noncombat personnel	Subordinate noncombat organizations we reviewed	Organizations that should be reported on PB-22 but are not	Personnel that should be reported on PB-22 but are not[b]
OSD	27	157,164	2	1	108
Army Secretariat, Army Staff	77	21,703	5	5	546
Navy Secretariat, Chief of Naval Operations, Headquarters Marine Corps	64	13,863	4	4	379
Air Force Secretariat, Air Staff	40	20,592	5	3	510
U.S. Atlantic Command	13	1,097	3	2	269
U.S. Army Training and Doctrine Command	13	1,393	4	4	164
U.S. Army Forces Command	1	293	1	1	293
U.S. Atlantic Fleet	25	5,902	2	1	7
Air Combat Command	16	1,829	5	2	121
Air Education and Training Command	9	692	9	6	456
Total	**285**	**224,528**	**40**	**29**	**2,853**

[a] Army and Air Force major commands are excluded. Navy and Marine Corps operational fleets, forces, bases, and acquisition commands are excluded.

[b] Personnel not reported on PB-22 exhibits are reported to Congress on other budget exhibits.

Source: DOD and GAO.

Many different types of organizations should have been reported to Congress because they perform management or management support functions covered by DOD's directive:

- The Army's Congressional Inquiry Division, a field operating activity with 41 personnel, augments 46 personnel that are designated as headquarters personnel. The division is one of seven in the Office of the Chief of Legislative Liaison in the Pentagon.
- The Navy's International Programs Office, an Echelon 2 command with 169 personnel, manages foreign assistance programs for the Navy and reports to the Assistant Secretary of the Navy (Research, Development, and Acquisition).
- The Air Intelligence Agency's 497th Intelligence Group, a direct reporting unit with 305 personnel located in Washington, D.C., primarily supports the Air Staff.

- The U.S. Army's Forces Command's Field Support Activity, with 293 personnel, is merely an accounting device for personnel integrated throughout Forces Command headquarters.
- The U.S. Atlantic Command's Information Systems Support Group, a support activity with 117 personnel that was previously considered part of headquarters, provides computer support to the Command's headquarters.
- The Air Combat Command's Studies and Analyses Squadron, a field operating activity with 71 personnel, studies issues for its headquarters.

Appendix II contains details on these and other noncombat organizations we reviewed.

In addition to these organizations that we found, OSD/DA&M agreed that other organizations should have been reported in DOD's annual PB-22 exhibits. For example, OSD's fiscal year 1998 PB-22 exhibit on Defense-wide activities omitted the management headquarters personnel and costs for five defense agencies—the Ballistic Missile Defense Organization, the Defense Advanced Research Projects Agency, the Defense Commissary Agency, the Defense Finance and Accounting Service, and the Defense Security Assistance Agency. In total, these agencies had about 1,300 management headquarters personnel and $150 million in related operations and maintenance costs for fiscal year 1997. The fiscal year 1998 PB-22 exhibit did include, however, the management headquarters personnel and costs of the National Security Agency,[3] a defense agency explicitly covered by DOD Directive 5100.73 that had not been reported on the exhibit since fiscal year 1993.

Personnel Transfers and Reclassifications Have Decreased Reported Headquarters Numbers

An unknown portion of DOD's reported personnel decreases in management headquarters and headquarters support activities were due to transferring personnel to nonheadquarters organizations or to reclassifying personnel and their functions as nonheadquarters, rather than actually reducing DOD personnel. In April 1997, in response to questions from the House Committee on National Security, DOD stated that a "good number" of its reported decrease in management headquarters personnel since 1985 were due to transfers of personnel from headquarters activities to operational activities and that a "minimal number" of the decrease was due to reclassification of positions. DOD emphasized that it

[3]The number of headquarters personnel and the costs at the agency are classified.

had achieved real reductions in management headquarters personnel, but it could not quantify the number.[4]

In the past, we have reported that headquarters personnel reductions in OSD and the military department headquarters in Washington were achieved primarily through transfers of functions and personnel to other organizations.[5] For example, although OSD, the Army, and the Navy had reduced personnel by about 2,900 during 1977-78, only 62 employees had been removed from DOD's payroll through retirement, resignation, and involuntary separation. We could not determine whether these transfers had any adverse impact, primarily because few functional changes or physical relocations were involved. Most transferred functions and personnel remained in the Washington area; for example, in October 1977, OSD created WHS and transferred 265 OSD personnel to it.[6]

In 1988, DOD's Deputy Inspector General studied the headquarters of the unified and specified commands.[7] Among other things, he found many cases where integral headquarters support functions and personnel had been transferred from headquarters to support organizations. The primary purpose of many of these transfers was to avoid the headquarters connotation and/or personnel limitations placed on headquarters in legislation and congressional committee reports, according to his report.

As the Air Force began to restructure its numbered air forces in the early 1990s, it requested to stop reporting as management headquarters about 2,000 personnel in the headquarters of numbered air forces. The Air Force's request came as Congress mandated reductions in DOD management headquarters during fiscal years 1991-95. OSD/DA&M approved the Air Force's request subject to its review in fiscal year 1993. However, the review never took place.

[4]The scope of our audit did not include systematically counting DOD's personnel transfers or reclassifications.

[5]Defense Headquarters Staff Reductions: An Overview (GAO/FPCD-78-72, Oct. 2, 1978).

[6]WHS is a DOD field activity that is directed by an OSD official, the Director of Administration and Management. WHS provides support to OSD, DOD field activities, and other specified defense activities in the National Capital Region. Specifically, WHS provides services, such as budgeting and accounting, civilian and military personnel management, office services, correspondence and cables management, directives and records management, housekeeping, security, and computer and graphics support.

[7]Review of Unified and Specified Command Headquarters ("The Vander Schaaf Report"), Feb. 1988.

Our review of 2 of the 16 numbered air forces[8] indicated that the Air Force had not fully implemented its restructuring plans. Both headquarters continue to perform some management headquarters and headquarters support functions, such as inspections and readiness oversight, which are covered by DOD Directive 5100.73. Since the Air Force and OSD/DA&M have not analyzed the numbered air forces since they began restructuring, they cannot be sure that the Air Force's exemption for these organizations is in compliance with DOD's directive. (See app. III for our discussion of numbered air forces.)

Inappropriate Use of Special Accounting Devices Masks Size of Headquarters

In some instances, the military services have used accounting devices that have masked the number of personnel in certain headquarters organizations. However, DOD Directive 5100.73 prohibits "special personnel accounting devices" to mask or distort the true size or structure of headquarters.

The Air Force has accounted for 242 personnel that directly support the Secretary and the Chief of Staff of the Air Force in a "non-unit"—an accounting device. Air Force leaders do not know which of their personnel are accounted for as headquarters and which are accounted for in the non-unit, according to Air Force officials. The Air Force does not report these personnel as part of the Secretariat or the Air Staff but instead reports them on a separate line on its PB-22 exhibit.

If the Air Force added these 242 personnel to its reported fiscal year 1997 total of 2,460 for the Secretariat and the Air Staff, it would exceed its statutory limit of 2,639 personnel by 63.[9] According to an Air Staff official, the 242 personnel would have been accounted for as a part of the Secretariat and the Air Staff, if Congress had not legislated a personnel ceiling. Nonetheless, in an April 1997 meeting, Air Force officials stated that the Air Force was not circumventing the ceiling and they pointed out that OSD/DA&M had approved of this reporting arrangement. An OSD/DA&M official stated that he did not know whether the office had formally approved the arrangement but that it would not be viewed as a problem since the Air Force had reported the personnel on its PB-22 exhibit.

[8]The two numbered air forces we reviewed were the 12th Air Force at Davis-Monthan Air Force Base, Arizona, and the 19th Air Force at Randolph Air Force Base, Texas.

[9]As part of the Goldwater-Nichols DOD Reorganization Act of 1986, Congress directed that the total number of military and civilian personnel assigned to the Air Force Secretariat and the Air Staff may not exceed 2,639 (10 U.S.C. 8014). Similar personnel ceilings apply to the Department of the Army, 10 U.S.C. 3014, and to the Department of the Navy, 10 U.S.C. 5014.

Two Navy organizations appear to be accounting devices to hold headquarters personnel. The OPNAV Support Activity's 168 personnel and the Field Support Activity's 34 personnel are not reported as part of the 1,023 OPNAV personnel but rather are reported separately as part of the Navy's departmentwide total. However, the two organizations are each commanded by OPNAV officials who are "dual-hatted." Furthermore, OPNAV Support Activity personnel are intermingled and fully integrated with OPNAV staff. A cognizant Navy official could not explain the distinction between support personnel that are accounted for as part of OPNAV proper and those accounted for as part of the OPNAV Support Activity. Navy documents show that the OPNAV Support Activity's mission is to provide administrative, technical, and office services support to OPNAV, while the Field Support Activity's mission is to assist the Vice Chief of Naval Operations in budgeting, evaluating resource execution, and providing manpower and facilities for assigned organizations.

At the Army's Forces Command, Fort McPherson, Georgia, the Command's Field Support Activity is merely an accounting device for 293 personnel integrated throughout Forces Command headquarters.

Size of OSD Is Unclear

The size of OSD is unclear because of definitional issues. OSD does not report, as part of OSD, certain headquarters personnel that are a part of OSD or are integral to its operation. OSD defines its personnel to include about 2,000 civilian and military personnel assigned to various OSD offices and certain OSD-administered temporary commissions. However, OSD does not include any of the approximately 1,400 DOD Inspector General personnel in its total, even though by law the Inspector General is part of OSD and appears on OSD organization charts. OSD also excludes direct support provided by DOD support activities, WHS, and the Air Force Pentagon Communications Agency.[10] DOD does separately report these activities as well as 56 Inspector General personnel on its Defense-wide PB-22 exhibit, and it provides further information to Congress on them in annual budget justification materials. Our review, however, disclosed that OSD underreported WHS support to OSD by 82 personnel. Also, OSD did not report 26 personnel in the Defense Airborne Reconnaissance Office as management headquarters personnel, even though they are, in effect, part of OSD. (See app. I.)

[10]The two remaining DOD support activities (the C^{4}I Integration Support Activity and the Plans and Program Analysis Support Center) and WHS are under the direction, authority, and control of OSD officials.

In 1994, the DOD Inspector General recommended that DOD abolish DOD support activities and transfer their personnel to OSD because the structure of the activities was not conducive to effective accountability and management and actually hindered effective mission accomplishment by OSD managers.[11] While OSD has not eliminated the DOD support activity organizational category, it has abolished some activities.[12]

In the National Defense Authorization Act for Fiscal Year 1997, Congress directed OSD, its DOD support activities, and WHS to reduce their combined personnel by 25 percent by October 1, 1999, with interim reductions in 1997 and 1998. The baseline for the reductions is the number of personnel in these organizations as of October 1, 1994. The baseline is 4,815 and the ceiling for October 1, 1997, is 4,093, a reduction of 722.

OSD plans to meet the 1997 ceiling primarily by contracting out WHS custodians and by reclassifying nearly 300 personnel at the Defense Manpower Data Center. The Center was considered a DOD support activity, but in December 1996 the Deputy Secretary of Defense merged it with the Defense Civilian Personnel Management Service to form the DOD Human Resources Activity, which is headed by the Under Secretary of Defense (Personnel and Readiness). OSD will take credit for the reduction but achieve no near-term savings from the merger and reclassification of the Center's personnel. OSD has not determined how it will reduce personnel to meet the 1998 and 1999 ceilings; an ongoing study will provide the Secretary of Defense with advice on this matter.

DOD should rebaseline the composition of OSD, according to a May 1997 contractor study commissioned by the Deputy Secretary of Defense in response to congressional guidance that DOD review the organization and functions of OSD.[13] The study concluded that DOD had in the past purposefully redefined certain activities outside of OSD, thus making OSD appear smaller while increasing personnel in less visible organizations. The study recommended that the Secretary of Defense include as part of

[11]Defense Support Activities: Providing Technical and Analytical Support to the Office of the Secretary of Defense (94-INS-08, June 23, 1994).

[12]As of August 1997, only two DOD support activities remained. In July 1997, the Deputy Secretary of Defense abolished the DOD support activity that serviced the Under Secretary of Defense (Acquisition and Technology) and transferred 156 of its 187 personnel to the office of the Under Secretary. The Under Secretary requested the transfer to reduce his total personnel, save at least $2 million, and alleviate morale problems caused by having to apply different personnel management directives to support activity personnel and OSD personnel, even though they worked side-by-side on the same tasks.

[13]The Office of the Secretary of Defense: Creating a New Organization for a New Era (Hicks & Associates, Inc., McLean, Virginia, #SAIC 97-1026, May 1997).

OSD the headquarters element of the DOD Inspector General, elements of WHS that support OSD, and the DOD support activities. The study also recommended that OSD's role focus on top leadership and management tasks and that OSD be divested of program management, execution, and lower priority tasks. Regarding the congressionally directed cuts, the study concluded that DOD and Congress should not decide on an optimal personnel ceiling for OSD until they agree on OSD's composition and roles.

Headquarters Costs Are Significantly Higher Than DOD Reports

DOD has significantly understated the costs of its management headquarters and headquarters support activities. DOD reported a 19-percent decrease in costs—from $5.3 billion to $4.3 billion—during fiscal years 1985-96 and projects that costs will be about $5 billion through fiscal year 2003. However, DOD's cost data are unreliable. Some of DOD's PB-22 exhibits have only reflected partial headquarters costs, contrary to a DOD financial management regulation that calls for the reporting of all budgeted funds. Other PB-22 cost estimates made by military service officials in Washington, and reported to Congress, were significantly less than the estimates made by the military commands. As previously discussed, our review found 29 organizations with nearly 2,900 personnel that should be reported by DOD as management headquarters or headquarters support. DOD has understated headquarters costs by about $215 million by not reporting these personnel, using an average cost per headquarters person of $75,000 based on DOD data.

DOD's Cost Data Are Unreliable

DOD reported a 19-percent decrease in management headquarters and headquarters support costs—from $5.3 billion to $4.3 billion—during fiscal years 1985-96, using constant 1997 dollars and PB-22 data.[14] These costs were primarily composed of operations and maintenance costs and military personnel costs. In general, within operations and maintenance accounts, civilian pay/benefits and "other contractual services"[15] were the largest cost categories.

[14]Under DOD Directive 5100.73, personnel and costs associated with base operating support functions and componentwide technical and operating-type services (such as payroll services) are not reported.

[15]According to Office of Management and Budget Circular A-11, the "other contractual services" cost category includes advisory and assistance services; purchases of goods and services from government accounts; payments for medical care; research and development contracts; operation and maintenance of facilities and equipment; and other services. Under DOD Directive 5100.73, operation and maintenance of facilities, such as headquarters buildings, are excluded when this support is performed by a host organization (i.e., a base command) for all tenants.

PB-22 data are unreliable. The Navy's annual PB-22 exhibit includes only estimated personnel costs for military and civilian positions, contrary to DOD Financial Management Regulation 7000.14-R that calls for reporting of all budgeted funds to support an activity.[16] For example, the Navy reported $11.6 million in operations and maintenance costs for fiscal year 1996 for the Commander in Chief, U.S. Atlantic Fleet headquarters. This amount understated actual costs by $17.6 million, an error of over 150 percent. At the U.S. Atlantic Command, a unified command administered by the Navy, officials documented $43.4 million in actual operations and maintenance costs during fiscal year 1996, $39.1 million (or 9 times) more than the Navy reported to Congress on its PB-22 exhibit.[17] Navy officials told us they had issued guidance to correct this problem. Furthermore, on the latest Defense-wide PB-22 exhibit prepared by the DOD Comptroller, no military personnel costs or other costs funded outside of the operations and maintenance appropriation were reported.

DOD projects that management headquarters and headquarters support costs will be about $5 billion through fiscal year 2003, using constant 1997 dollars and FYDP data (see table 2).[18]

Table 2: DOD's Estimated Headquarters Costs for Fiscal Years 1998-2003

1997 dollars in billions

	1998	1999	2000	2001	2002	2003
Army	$ 0.9	$ 0.9	$ 1.3	$ 1.3	$ 1.4	$ 1.4
Navy/Marine Corps	1.4	1.4	1.3	1.3	1.3	1.3
Air Force	1.1	1.1	1.1	1.1	1.1	1.1
Defense-wide	1.5	1.4	1.3	1.3	1.3	1.3
Total cost (FYDP)	**$4.9**	**$4.7**	**$5.0**	**$5.0**	**$5.1**	**$5.1**

Notes: Numbers may not add due to rounding. Estimates for the military services include some costs for Defense-wide activities that are budgeted for by the military services (such as military personnel costs).

Source: DOD's 1998-2003 FYDP and DOD deflators.

[16]In September 1997, after our audit work was completed, the Acting Under Secretary of Defense (Comptroller) redefined the cost data required. PB-22 exhibits should show costs directly in support of management headquarters, excluding operational expenses for items centrally funded or managed at headquarters but executed elsewhere in DOD.

[17]DOD stated that not all operations and maintenance costs at the U.S. Atlantic Command necessarily support management headquarters functions.

[18]The FYDP projects costs beyond fiscal year 1999, the last year on PB-22 exhibits. Because of differences in how costs and personnel are reported in DOD's PB-22 exhibits compared with DOD's FYDP, the headquarters cost data for fiscal years 1998-2003 from DOD's FYDP are not easily comparable with PB-22 data.

According to these estimates, DOD will not free up funds in its management headquarters accounts to help fund modernization efforts or other initiatives. These projections, based on the completed 1998-2003 FYDP, do not reflect cost reductions in management headquarters being sought by the Secretary of Defense that could arise from ongoing DOD studies.

The FYDP's estimates of management headquarters and headquarters support costs are also unreliable. Program elements in the FYDP reserved for these costs also contain other costs. For example, the Army's estimated management headquarters costs include $2.3 billion during fiscal years 2000-2003 in one program element for military construction projects. After the Army decides which projects to fund, it will disperse the funds to separate program elements that are not counted as part of the cost of management headquarters. Also, according to a DOD Comptroller official, the Navy's management headquarters cost data in the FYDP are inaccurate because of the Navy's method of estimating the costs.

Headquarters Personnel and Costs Are Understated for Several Reasons

DOD's management headquarters and headquarters support personnel and cost data are understated for several reasons. Sustained criticism from Congress about the size of DOD's headquarters has been a disincentive for DOD to accurately report the number of such personnel and their related costs. Thus, DOD has "played games" to "hide" management headquarters personnel from Congress, according to several OSD and military service officials. Second, many DOD officials believe that they are required to report only personnel that make policy, allocate resources, or plan for the future, even though DOD Directive 5100.73 requires that headquarters support personnel be reported. Third, the directive's criteria for analyzing organizations to determine whether they should be included in budget exhibits on management headquarters are complicated. Finally, oversight by OSD and the military services has been limited.

Disincentives to Accurate Accounting Cause DOD to "Hide" Headquarters Personnel and Costs

Many DOD officials believe that being counted as a management headquarters or headquarters support activity increases the chance of personnel reductions, given the history of congressional reductions to management headquarters personnel. Therefore, DOD organizations have incentives to avoid inclusion in DOD's management headquarters program, according to an OSD/DA&M official, the Vice Commander of the Air Combat Command, and our analysis.

Officials from OSD and each of the military departments told us that DOD components have organized themselves in such a way as to "hide" personnel performing headquarters or headquarters support functions. According to an OSD personnel official, the military service chiefs and others know that DOD's reported numbers of management headquarters personnel are too low. He referred to DOD's actions over the years as a game of "hiding the ball." Separately, Army and Navy officials told us that their departments "play games" by not designating personnel as management headquarters or headquarters support when, under DOD Directive 5100.73, they should. Instead, management and support functions are placed in field operating agencies or staff support groups that report to management headquarters but are not reported to Congress on DOD's PB-22 exhibits, according to the officials. As far back as 1984, the Secretary of Defense wrote of DOD being criticized for "hiding" headquarters by labeling them as operational instead of management organizations. A senior Navy official explained that bureaucracies find ways to "live with" directives and laws that impose constraints. Likewise, Air Force actions have led to a "strange organizational structure," according to an Air Staff official. An official in the office of the Secretary of the Army noted that this "game goes on" because headquarters work does not diminish when Congress mandates reductions in numbers of headquarters personnel.

According to a former DOD Deputy Inspector General, DOD has a long history of redefining management headquarters to reduce their apparent size, ignoring the rules for counting personnel assigned to management headquarters, and renaming organizations to remove them from the headquarters tracking system. In a 1988 study of unified and specified commands, the Deputy found that the definition of headquarters in DOD Directive 5100.73 led to a significant understatement of the number of personnel that directly supported headquarters. Many personnel were transferred from headquarters to support organizations to avoid the headquarters connotation and/or legislated personnel limits, but they continued to function as part of headquarters, according to the study. The study recommended that DOD revise the definition of headquarters personnel to more completely identify the number of personnel directly supporting management headquarters. However, DOD did not implement this recommendation because it was based on a lack of understanding of the purpose of the management headquarters program, according to OSD/DA&M.

Officials Misinterpret Scope of DOD's Directive

According to officials at several subordinate noncombat organizations, their organizations, costs, and personnel do not have to be reported under DOD Directive 5100.73 because they do not "make policy." However, Washington, D.C., officials that manage their departments' compliance with the directive are aware that the directive's scope includes headquarters support functions and in fact lists and defines 33 such functions. While the directive does not preclude DOD components from establishing subordinate units to carry out support functions, it does require components to account for all management headquarters and headquarters support activities, however organized, using specific criteria.

DOD's Directive Has Complicated Criteria

DOD Directive 5100.73 has complicated criteria for analyzing whether organizations, particularly headquarters support organizations, should be counted and reported to Congress. Under the directive, each DOD component is to analyze the percentage of "work" or "effort" devoted to 4 management functions and 33 headquarters support functions at each of its organizations. Different rules for reporting personnel and costs are applied depending on whether the percentage of management-related work exceeds 25 or 50 percent of an organization's total work/effort.

In specific cases, there is ambiguity as to whether an organization qualifies as a management headquarters or headquarters support activity under the directive, but OSD/DA&M is charged with making the final determination. For example, the Third Army asked to have all of its headquarters personnel removed from DOD's management headquarters reporting system. However, after a review by OSD/DA&M and others, OSD/DA&M excluded only a portion of Third Army headquarters personnel from reporting under DOD's directive.

DOD's Oversight of Headquarters Accounting System Has Been Limited

DOD's oversight of its management headquarters and headquarters support accounting system has been limited, which has not facilitated compliance with DOD Directive 5100.73. The directive requires OSD/DA&M to determine the composition of, maintain, and monitor the official list of DOD management headquarters and headquarters support functions and organizations and to conduct periodic reviews to ensure DOD components accurately identify and account for management headquarters and headquarters support activities. In addition, the directive requires the DOD components to designate a single office to implement the directive, maintain an information system that identifies the number and size of their management headquarters and headquarters support activities, ensure that

their list of such activities is accurate, and conduct surveys or studies and establish administrative controls to comply with the directive.

OSD/DA&M has one person that spends part of his time monitoring compliance with the directive; in the past 3 years, the office has reviewed five cases for compliance. The Navy's primary office for monitoring the management headquarters program is the Office of the Assistant Secretary of the Navy (Financial Management and Comptroller), according to officials who work there. However, our questions to this office on the management headquarters program typically had to be referred to other Navy offices.

The Office of the Assistant Secretary for Manpower and Reserve Affairs controls the Army's management headquarters program and is the approval authority for any changes requested by Army commanders. According to an Office official, the Army's Manpower Analysis Agency, a field operating activity that reports to the Assistant Secretary, conducts manpower surveys of commands and, among other things, determines whether commands have properly accounted for their management headquarters personnel. However, Manpower Analysis Agency officials said "no one is checking" the Army's management headquarters program. Until 1992, this Agency reviewed Army organizations to determine compliance with the program, but it stopped doing so routinely when the Army gave its commanders more authority with less oversight, according to Agency officials.

In response to our inquiries, representatives from the offices of the inspector generals and auditors of the Army, the Navy, and the Air Force said they had not audited or inspected this area. In addition to its 1994 study discussed earlier, in 1989, the DOD Inspector General reviewed DOD support activities, formerly called management support activities/agencies.[19]

Challenges Remain in Reducing Size of DOD Headquarters

DOD faces challenges in reducing the size of its management headquarters and headquarters support activities. While DOD wants to reduce the size and cost of its management headquarters to reallocate funds to other areas, it has not determined the scope of future reductions or developed a detailed plan for making the reductions. Also, DOD has different definitions of management headquarters and headquarters support—when analyzing

[19]Management Support Activities (89-INS-12, Oct. 17, 1989). We also reported on this topic in Defense Budget Issues: Uniform Definition of Management Support Agencies Needed (GAO/NSIAD-90-255, July 30, 1990).

their headquarters internally, DOD officials include more activities than are reported on DOD's PB-22 exhibits. Determining whether and how much to reduce management headquarters is difficult because DOD has no generally accepted staffing standards to objectively size a management headquarters. Furthermore, DOD officials have a range of views on whether and how to reduce management headquarters further—some advocate significant reductions while others have no plans to reduce.

DOD Wants to Reduce Headquarters Personnel, but It Has Not Developed a Detailed Plan

The QDR report concluded that significant cuts in DOD headquarters are feasible and desirable.[20] However, it did not recommend a detailed plan for reducing headquarters, in part, because senior DOD officials lacked a reliable database to serve as a baseline for analysis. A subsequent study, ordered by the QDR and led by OSD, examined the effects of reducing DOD headquarters and headquarters support personnel by 15 percent during fiscal years 1998-2003—a total cut of about 12,550 positions, or about 7,650 more than reductions currently programmed in DOD's 1998-2003 FYDP. This number was based on the plan to reduce the percentage of headquarters personnel, relative to total DOD personnel, to the 1989 level of 3.3 percent. The estimated 1998 level without further reductions is 3.7 percent, according to the study.[21]

In implementing this reduction, DOD does not want to make equal across-the-board percentage reductions for each component; it will instead analyze major structural changes, such as consolidating organizations and eliminating entire organizational echelons, according to the leader of DOD's study. In addition, the Defense Reform Task Force, established by the Secretary of Defense, is to report in November 1997 on the size and functions of OSD, defense agencies, DOD field activities, and the military departments.

DOD Defines Headquarters More Broadly for Internal Planning Purposes

DOD has different definitions of management headquarters and headquarters support—when analyzing their headquarters internally, DOD officials include more activities than are reported on DOD's PB-22 exhibits. For example, on its PB-22 budget exhibit for fiscal year 1998, the Army estimated a total of 2,784 personnel for Headquarters, Department of the

[20]The Report of the Quadrennial Defense Review (May 19, 1997).

[21]Organizational Staffing: Review of Headquarters Activities (marked "Final Report" and "Draft," undated).

Army.[22] However, as part of its analysis for redesigning this Headquarters, the Army included 19,502 personnel because it counted all personnel in its 58 field operating agencies that report to the Army Secretariat or to the Army Staff. Also, when the Navy studied its Secretariat, the study team included the numerous subordinate activities/offices that are not part of, but report to, the Navy Secretariat. Only two of these activities—the Office of Civilian Personnel Management and the Chief of Naval Research—are included on the Navy's PB-22 budget exhibit and reported to Congress.

In a follow-on study to the QDR, the study group created a new definition of management headquarters and headquarters support activities because senior DOD officials had concluded that the numbers reported under DOD Directive 5100.73 were unreliable. The group's expanded definition included the DOD Inspector General, selected personnel at DOD field activities, military service field operating agencies, and headquarters subordinate to headquarters currently reported under the directive. Using this new definition, the group concluded that DOD had about 81,000 management headquarters and headquarters support personnel, or 30,000 more than were reported to Congress in the President's budget for fiscal year 1998. However, OSD/DA&M and military service officials have criticized this definition and DOD has not adopted this revised definition.

DOD Has No Standards for Determining the Appropriate Number of Headquarters Personnel

According to military service officials, there are no overall staffing standards to objectively quantify the number of personnel required for headquarters functions. The Air Force at one time sized its headquarters staff at major commands at between 1.7 and 2.0 percent of the total personnel under each command's headquarters, but no longer does so, according to Air Force officials. Without quantifiable standards for headquarters staff work, which may not be feasible given the nature of the work, DOD and Congress are left to rely on judgment for sizing headquarters. In the past, this has led OSD and the military services to apportion percentage cuts across-the-board to their components, although some organizations have reengineered.

Our work has shown that successful businesses have effectively tied personnel reductions to reengineering business processes.[23] For example, one company began reductions to control costs and increase efficiency by

[22]Headquarters Department of the Army is composed of the Army Secretariat; the Office of the Chief of Staff, Army; the Army Staff; and staff support agencies.

[23]Workforce Reductions: Downsizing Strategies Used in Selected Organizations (GAO/GGD-95-54, Mar. 13, 1995).

using across-the-board cuts but found that because the cuts were not tied to a larger strategy, they only exacerbated the company's problems. The company's more recent restructuring efforts involved analyses of the distribution of employees and resources to determine where to cut and where to consolidate—a strategy that proved successful. These lessons are applicable to DOD as it develops a strategy for reducing its activities.

Officials' Views on Further Headquarters Reductions Vary

DOD officials have a range of views on whether and how to further reduce management headquarters. Senior DOD officials and some military commanders have publicly advocated reductions, while others have no plans to reduce.

The Commander in Chief, U.S. Atlantic Command, stated in March 1996 that it is time to review the number and size of headquarters as well as the size of the defense agencies. Likewise, the Air Combat Commander concluded that a pervasive "inattention to the cost of doing business, from the flight line on up" was wasting resources and that headquarters specifically were "bloated," according to the Vice Commander. The Commander has instructed his staff to analyze, as a preliminary goal, reducing the Command's 2,284 headquarters personnel by 400 and reducing the Command's subordinate activities by 600 personnel, according to the Vice Commander. At the time of our review, this study was in its initial stages.

In contrast to the Air Combat Command's numerical goals, the Deputy Under Secretary of the Navy (Institutional and Strategic Planning) has led a headquarters reengineering study without setting numerical goals. In his view, headquarters personnel should not be reduced by the same percentage as operational forces because a minimum level of headquarters personnel is always required, whatever the size of the operating forces. He further believes that a comprehensive understanding of the requirements placed on headquarters is necessary to determine the number of personnel needed. Thus, he said that management reforms in Navy headquarters should come from within the Navy and should not be mandated by outsiders.

The Deputy Assistant Secretary of the Army (Force Management, Manpower and Resources) said that the need to save money drives many of the Army's organizational changes and that the Army is studying options to reduce the number of its major commands. Various factors complicate headquarters reductions, including demands by certain OSD and Joint Staff

officials to protect Army personnel levels in their functional areas and political pressures not to cut personnel in congressional districts.

The Air Education and Training Command has no plans to reengineer or reduce its headquarters. Command officials and the Air Force's PB-22 exhibit indicate no change in the number of personnel projected during fiscal years 1997-99. Similarly, an OPNAV official told us that the Navy does not plan to reduce OPNAV personnel. Some OPNAV directorates are restructuring to more efficiently do their work, not to reduce personnel, according to this official.

Conclusions

DOD needs to change its directive for reporting management headquarters and headquarters support personnel and costs to Congress because overall the data are inaccurate and incomplete—total personnel and costs are significantly higher than reported. DOD and Congress cannot rely on the data to determine trends in headquarters and help them make informed decisions about whether headquarters are appropriately sized. One approach would be for DOD to increase enforcement of its existing directive. However, this is not the best alternative because DOD, in an era of downsizing, would require additional personnel for enforcement. Also, the directive's complicated criteria for determining which organizations to report to Congress is a problem. A simpler definition that would include more organizations could lead to the collection of more meaningful data and eliminate the need for complicated analyses of organizational work efforts. DOD's current definition can be expanded without counting the headquarters of operational or combat organizations, which should be analyzed separately.

Also, DOD's estimated costs for its management headquarters and headquarters support are scattered among several budget documents. Having the total cost in one document would facilitate DOD and congressional reviews. DOD has already placed a summary of its total personnel in one document.

Recommendations

To generate accurate information needed by Congress and the Secretary of Defense to carry out their oversight and management responsibilities, we recommend that the Secretary of Defense revise DOD Directive 5100.73 to expand its coverage and simplify its criteria. The revised directive should require the inclusion of all personnel assigned to all noncombat organizations that are subordinate to DOD management headquarters,

including those at the major command level, such as field operating activities, direct reporting units, and other similar organizations that support their parent headquarters. The revised definition should permit common sense exemptions, such as the students and faculty of military academies and componentwide operating-type services, such as payroll services.

To provide Congress with a cost summary, we also recommend that the Secretary of Defense direct the Under Secretary of Defense (Comptroller) to report the total cost, including all appropriations, of DOD's management headquarters and headquarters support in one document.

Agency Comments and Our Evaluation

DOD provided written comments on a draft of this report. These comments are reprinted in appendix V. DOD partially concurred with our first recommendation and concurred with our second recommendation. DOD acknowledged that, in some cases, the process for analyzing DOD organizations to determine whether they should be included in management headquarters budget exhibits can be complicated, labor-intensive, and subjective in nature. However, DOD believes it is impossible to develop a single fair definition of management headquarters and headquarters support activities that can be universally applied, given the large size and complexity of the Department. DOD has established a Management Headquarters Working Group to recommend to the Secretary of Defense whether DOD Directive 5100.73 should be revised, replaced, or augmented. DOD stated that it would summarize the total costs for its management headquarters and headquarters support, beginning with the fiscal year 1999 President's budget submission. DOD also provided us with technical corrections and clarifying comments that we incorporated into our final report, as appropriate.

To determine the accuracy and reliability of PB-22 data, we selected 10 headquarters and their subordinate noncombat organizations to review. We also reviewed two numbered air forces. To determine reported trends in DOD's management headquarters personnel and costs, we obtained annual PB-22 exhibits and DOD's 1998-2003 FYDP. To obtain information on plans to reduce the size of DOD's management headquarters, we interviewed officials in the 10 headquarters organizations we audited and officials involved with studies of management headquarters. (See app. IV.)

We are providing copies of this report to appropriate Senate and House committees; the Secretaries of Defense, the Army, the Navy, and the Air Force; and the Director of the Office of Management and Budget. We will also provide copies to other interested parties upon request.

Please contact me at (202) 512-3504 if you or your staff have any questions concerning this report. Major contributors to this report are listed in appendix VI.

Sincerely yours,

Richard Davis

Richard Davis
Director, National Security
Analysis

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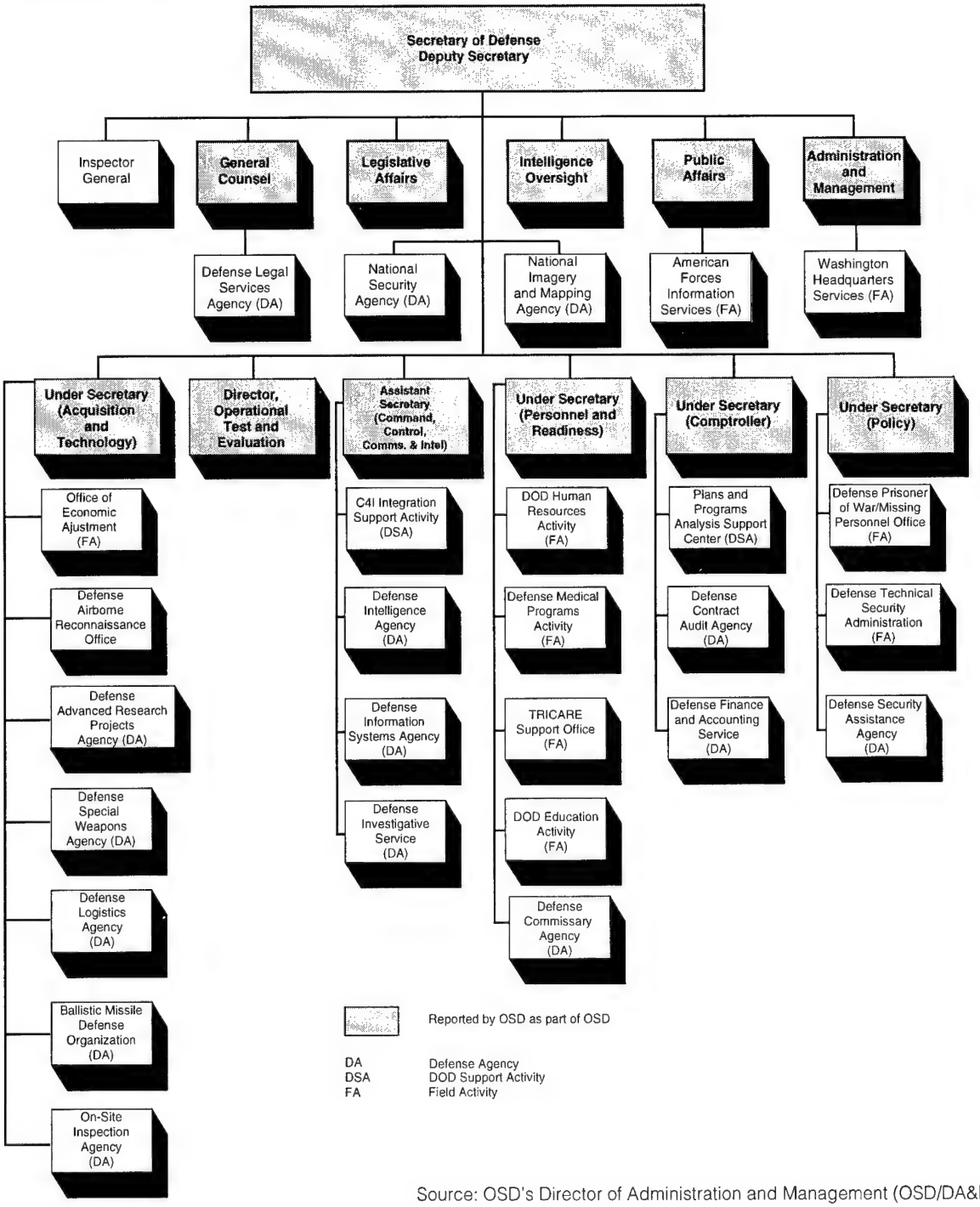
Abbreviations

CINCLANTFLT	Commander in Chief, U.S. Atlantic Fleet
DA&M	Director of Administration and Management
DARO	Defense Airborne Reconnaissance Office
DOD	Department of Defense
FORSCOM	U.S. Army Forces Command
FYDP	Future Years Defense Program
OPNAV	Office of the Chief of Naval Operations
OSD	Office of the Secretary of Defense
QDR	Quadrennial Defense Review
TRADOC	U.S. Army Training and Doctrine Command
USACOM	U.S. Atlantic Command
WHS	Washington Headquarters Services

Office of the Secretary of Defense

The Secretary of Defense is the principal defense policy adviser to the President and is responsible for the formulation of general defense policy and policy related to all matters of direct and primary concern to the Department of Defense (DOD) and for the execution of approved policy. The Office of the Secretary of Defense (OSD) is the Secretary's principal staff element for policy development, planning, resource management, fiscal, and program evaluation responsibilities. Two DOD support activities, 15 defense agencies, 9 DOD field activities (including the Washington Headquarters Services (WHS)), and the Defense Airborne Reconnaissance Office (DARO) are subordinate to OSD. DOD support activities provide OSD with technical and/or analytical support. Defense agencies perform selected support and service functions on a departmentwide basis. DOD field activities also perform selected support and service functions but with a more limited scope than defense agencies. DARO is a unique organizational type, because it is not a DOD support activity, defense agency, or DOD field activity. Each of these agencies/activities is under the authority, direction, and control of an OSD official. (See fig. I.1.)

Figure I.1: OSD and Its Subordinate Organizations



Source: OSD's Director of Administration and Management (OSD/DA&M).

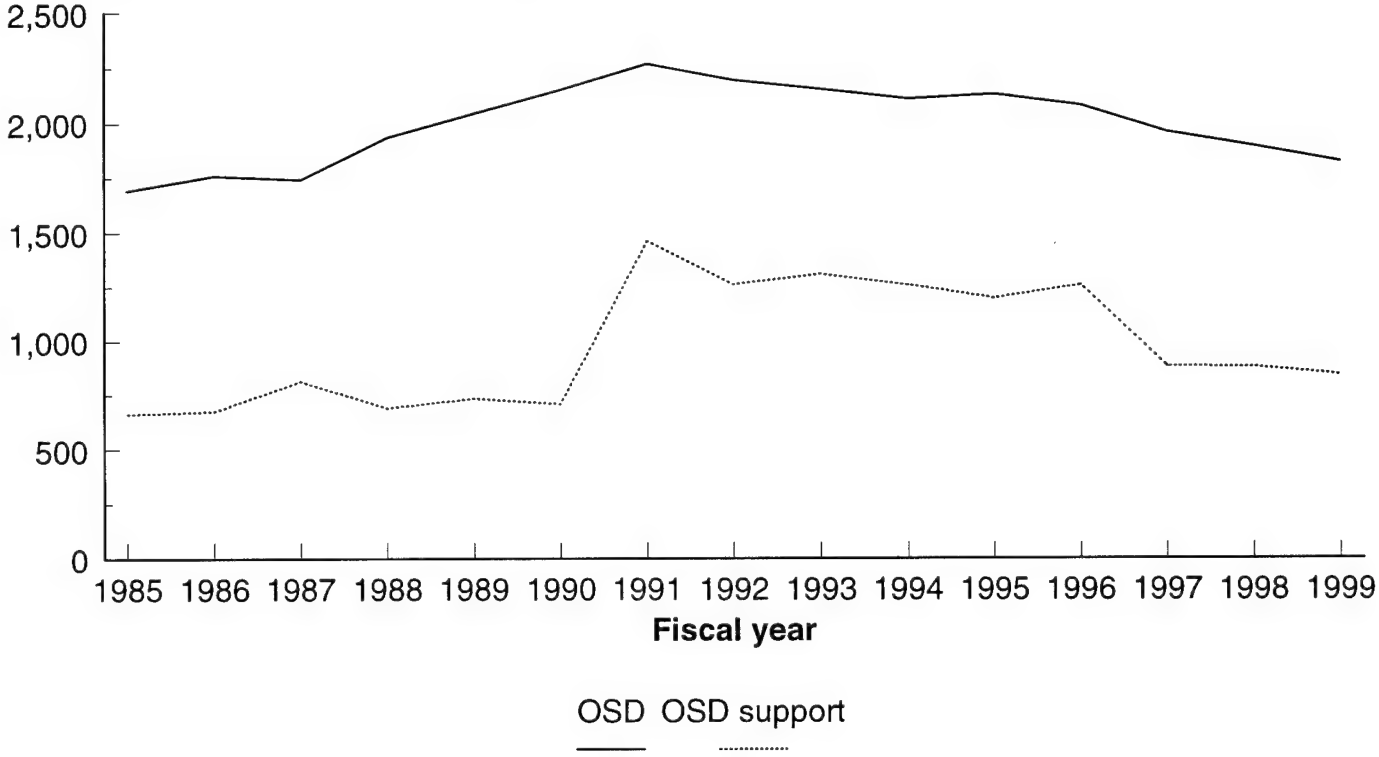
Reported Personnel Levels

The size of OSD is unclear because of definitional issues. OSD does not report, as part of OSD, certain headquarters personnel that are a part of OSD or are integral to its operation. OSD defines its personnel to include about 2,000 civilian and military personnel assigned to various OSD offices and certain OSD-administered temporary commissions. However, OSD does not include any of the approximately 1,400 DOD Inspector General personnel in its total, although by law the Inspector General is part of OSD and appears on OSD organizational charts. OSD also excludes direct support provided by DOD support activities, WHS and the Air Force Pentagon Communications Agency. DOD separately reports these activities as well as 56 Inspector General personnel on its Defense-wide PB-22 exhibit and provides further information to Congress on them in annual budget justification materials.

As defined by OSD, during fiscal years 1985-96, OSD personnel increased from 1,691 to 2,078, or 23 percent. For fiscal years 1997-99, OSD projects a 3- to 6-percent annual decrease in OSD personnel, to 1,823 personnel in fiscal year 1999, according to the Defense-wide PB-22 exhibit in the fiscal year 1998 President's budget. These levels were determined, in part, by a December 1994 decision by the Deputy Secretary of Defense to reduce OSD civilian personnel by 5 percent per year during fiscal years 1996-2001.

During fiscal years 1985-96, OSD support personnel increased by 90 percent, from 662 to 1,260 personnel. The largest annual increase was 752 in fiscal year 1991, due to the reporting of DOD support activities, a new category. In fiscal year 1997, OSD estimates that its support will decrease by 379 personnel, primarily due to a reclassification and reorganization involving 300 personnel at the Defense Manpower Data Center, formerly a DOD support activity. (See fig. I.2.)

Figure I.2: Reported Personnel Levels for OSD and OSD Support



Source: OSD/DA&M, compiled from PB-22 budget exhibits.

Notes: Fiscal years 1985-96 are actual values; 1997-99 are estimates. OSD support includes all personnel in DOD support activities and some personnel in WHS and the Air Force Pentagon Communications Agency that provide direct support to OSD.

DARO and WHS

We reviewed DARO and WHS for compliance with DOD Directive 5100.73. DARO is not reported on DOD's PB-22 budget exhibits, but it is clearly a management headquarters organization under DOD Directive 5100.73 because it allocates resources and conducts mid- and long-range planning, programming, and budgeting. Essentially, DARO is part of OSD, but it is not counted as such because of OSD's personnel ceilings, according to a DARO official. Of DARO's 28 government personnel, only 2 are on OSD's manning document; the remaining 26 personnel are not reported by DOD as management headquarters.

DOD created DARO in 1993 to increase senior management attention and oversight of airborne reconnaissance systems. DARO develops and manages the $2 billion per year Defense Airborne Reconnaissance Program. DARO is under the authority, direction, and control of the Under Secretary of Defense (Acquisition and Technology). Although DARO is not officially part of OSD—and is neither a defense agency nor a DOD field activity—it is listed in the DOD telephone directory in the Office of the Under Secretary of Defense (Acquisition and Technology), and DARO's message address is SECDEF WASHINGTON DC//USDA&T/DARO//.

We also reviewed WHS for compliance with DOD Directive 5100.73. We agreed with OSD/DA&M as to which WHS directorates were primarily performing headquarters support functions and which were primarily performing nonheadquarters functions under the definitions in DOD Directive 5100.73. However, OSD underreported WHS headquarters support personnel by 82 on the Defense-wide PB-22 exhibit. According to our analysis of its manning document, 466 WHS personnel should have been reported as headquarters support, but OSD reported 384 personnel for fiscal year 1997.

WHS is a DOD field activity created in 1977 by the Secretary of Defense, primarily by transferring personnel from OSD. The Director of WHS is dual-hatted as an OSD official, the Director of Administration and Management. WHS' mission is to support specified DOD activities in the National Capital Region. For OSD, DOD field activities, and other specified defense activities, WHS provides services, such as budgeting and accounting, civilian and military personnel management, office services, correspondence and cables management, directives and records management, housekeeping, security, and computer and graphics support.

OSD/DA&M officials could not explain why some WHS personnel were not part of OSD. That is, given the nature of some of the positions, such as receptionists for the Secretary of Defense, they could not explain the basis for deciding whether these personnel would be accounted for in OSD or WHS. They said that since WHS' mission included support to OSD, this condition was not a problem. They also observed that the total number assigned to OSD "is a politically sensitive number."

Subordinate Noncombat Organizations

At the 10 headquarters organizations we audited, we judgmentally selected 40 subordinate noncombat organizations to review. Specifically, we reviewed mission and functions documents, organizational manning documents, and organizational history. We also discussed the organization's activities, products, services, customers, and relationship with headquarters with cognizant officials in the subordinate organization and in its headquarters.

We determined that 29 of the 40 subordinate noncombat organizations should have been reported by DOD as management headquarters or headquarters support activities, using the criteria in DOD Directive 5100.73. One of these organizations was previously discussed in appendix I; the remaining 28 organizations are discussed in this appendix.

Army Secretariat and Army Staff

For fiscal year 1997, the Army had 2,491 personnel in the Army Secretariat and the Army Staff and 21,703 personnel in 77 field operating activities and staff support activities subordinate to the Army Secretariat and the Army Staff. We reviewed five of these activities, using the criteria in DOD Directive 5100.73, and found that all five—the Congressional Inquiry Division, the Cost and Economic Analysis Center, the Information Management Support Center, the Army National Guard Readiness Center, and the Installation Support Management Activity—with a total of 546 personnel, should have been reported to Congress by the Army as management headquarters or headquarters support activities but were not. Army officials raised no objections to our assessment of their field activities and concurred with our facts.

Congressional Inquiry Division

The Congressional Inquiry Division, a field operating activity with 41 personnel, is one division within the Army's Office of the Chief of Legislative Liaison. Its primary function is to reply to all letters written to DOD by members of Congress that raise Army issues. The Division gathers information from installations and Army commands and prepares a coordinated response. In addition, the Division provides computer support and mailroom services for the entire office and educates new congressional staff on the Army. The Division's 41 personnel are collocated with its sister divisions' 46 management headquarters personnel in the Pentagon.

Cost and Economic Analysis Center

The Cost and Economic Analysis Center, with 76 personnel, conducts cost and economic analyses of weapons, automated information systems, force

structure, operations and support, and installations to support Army planning, programming, and budgeting. In addition, it manages the Army's cost review board and cost position for selected major programs. The Center's data and analyses are used by the Army Secretariat, including its program executive offices, the Army Staff, OSD, Forces Command, the Training and Doctrine Command, and the Army Materiel Command.

Organizationally, the Center is imbedded as one of four divisions in the Office of the Assistant Secretary of the Army (Financial Management & Comptroller). The Center's director is dual-hatted as the Deputy for Cost Analysis, a management headquarters position. The Center is the only division in the Assistant Secretary's office classified as a field operating activity and not reported as part of Army Secretariat personnel on the Army's PB-22 exhibit. The Center's personnel—66 of whom are operations research or systems analysts—are located in Falls Church, Virginia, near the Pentagon. Both operations analysis and cost analysis are headquarters support functions listed in DOD Directive 5100.73.

Information Management Support Center

The Information Management Support Center, with 139 personnel, provides all information management support and services for the Army Secretariat, the Army Staff, and their assigned agencies and activities. The Center reports to the Secretary of the Army's Administrative Assistant and is located in the Pentagon. The Army established the Center in 1994 based in part on an internal study recommendation on information management. The study recommended, among other things, that the Army consolidate its headquarters positions in information management. The creation of the Center resulted in the transfer of 109 personnel from management headquarters to the Center.

Army National Guard Readiness Center

The Army National Guard Readiness Center has 195 civilian and active military personnel who support the Army Directorate of the National Guard Bureau.[1] These personnel work in the same directorates as the headquarters personnel of the Army Directorate. We believe that the Army Directorate's 279 active military and civilian personnel function as one staff, though 195 personnel (70 percent) are accounted for as part of the Readiness Center, while 84 are accounted for as part of the Army Staff, a

[1]This staff level does not include 141 active military and civilians who are assigned to the Center but work for the Chief of the National Guard Bureau's "joint staff" and not for the Army Directorate. It also excludes six personnel at the Professional Education Center, Little Rock, Arkansas; another six personnel at Fort Benjamin Harrison, Indiana; and the Operations Support Airlift Command, a field activity that manages aircraft nationwide.

management headquarters.[2] Organizationally, the Center is a field operating agency that reports to the National Guard Bureau. In the DOD telephone directory, the Center is one of several subdivisions listed under the Director, Army National Guard Bureau. Furthermore, the Bureau's organization chart shows it is located both in the Pentagon and at the Center's building, nearby in Arlington, Virginia.

The Center's mission is the same as that of the Army Directorate: to provide functional support to the 54 states and territories of the Army National Guard; to serve as the National Guard Bureau Chief's intermediate channel of communications between the Army and the states and territories; and to manage the Army National Guard's functional areas that is, personnel, operations, training and readiness, logistics, force management, aviation and safety, engineering, information systems, environmental programs, and comptroller. The Center's major functions include both Army Staff-level functions and major command-level functions, such as developing policy and assisting Headquarters, Department of the Army, in developing resource requirements and allocating resources.

Installation Support Management Activity

The Installation Support Management Activity, with 95 personnel, is a field operating activity under the Army's Assistant Chief of Staff for Installation Management. The activity provides policy recommendations, program management, oversight, and analysis for installation facilities, housing, and public works. Facility management is a headquarters support function listed in DOD Directive 5100.73. Organizationally, the activity's divisions and personnel are interspersed within the Assistant Chief of Staff's headquarters organization or collocated in the Pentagon with headquarters personnel. The Deputy Assistant Chief of Staff for Installation Management is dual-hatted as the Director of this activity. Most of the activity's personnel are housing management specialists/analysts and general engineers.

The distinction, or lack thereof, between this activity and its headquarters is such that when we requested a concept plan for the activity, we received a concept plan for the headquarters organization. However, an analysis prepared by activity officials at our request concluded that less than 21 percent of the activity's personnel perform management headquarters or headquarters support functions, below the 25-percent threshold in DOD

[2]An additional 568 full-time Guard personnel are part of the Army Directorate—530 are accounted for in the Center and 38 in the Army Staff.

Directive 5100.73. Given all of the above, we believe that more than 50 percent of the activity's effort is for management and headquarters support functions.

Navy Secretariat and Chief of Naval Operations

For fiscal year 1997, the Department of the Navy had 2,267 total personnel in the Navy Secretariat, the Office of the Chief of Naval Operations (OPNAV), and Headquarters, Marine Corps and 13,863 personnel in 64 organizations subordinate to these three organizations. We reviewed four of these subordinate organizations, using the criteria in DOD Directive 5100.73, and found that all personnel in three organizations—the Naval Center for Cost Analysis, the Legal Services Support Group, and the Navy International Programs Office—with a total of 312 personnel, should have been reported to Congress by the Navy as management headquarters or headquarters support but were not. In addition, the Navy should have reported a portion of the Naval Information Systems Management Center (67 personnel, or 48 percent) as headquarters support.

Naval Center for Cost Analysis

The Naval Center for Cost Analysis, with 52 personnel, prepares cost estimates of the resources required to develop, procure, and operate systems and forces in support of Navy planning, programming, budgeting, and acquisition management. Most personnel are operation research analysts. Operations analysis and cost analysis are headquarters support functions listed in DOD Directive 5100.73. The Center's customers include the Assistant Secretary of the Navy (Research, Development, and Acquisition), the Assistant Secretary of the Navy (Financial Management and Comptroller), OPNAV, and the Navy's Chief Information Officer, all management headquarters officials/organizations. The Center is located in Arlington, Virginia, near the Pentagon, and it reports to the Assistant Secretary of the Navy (Financial Management and Comptroller). It was created in 1985 to implement legislation mandating the Navy to create a cost-estimating organization independent of the Navy's research, development, and acquisition organization.

Legal Services Support Group

The Legal Services Support Group, with 91 personnel, provides legal services throughout the Navy, including all Offices of Counsel and their client headquarters and field activities, in the areas of litigation, environmental law, and the Freedom of Information Act. It handles significant cases of interest to the General Counsel, including contract claims litigation over $400,000, civil personnel litigation, and federal

environmental litigation. The Group reports to the Navy's General Counsel.

Although a document establishing the Group in 1989 stated that it is a "nonmanagement headquarters shore activity," there are indicators that the organization exists only on paper and is, in fact, not distinct from the General Counsel office. For example, the Group's Director is also an Associate General Counsel—a dual-hat relationship in which he is counted as management headquarters (as part of the Secretariat) while his staff are not counted as management headquarters or headquarters support. In a hand-drawn organization chart prepared by the Group's Director—no official chart exists—the Group's personnel, all of whom are civilian attorneys, are interspersed within components of the General Counsel's office. Most personnel are located in Arlington, Virginia, near the Pentagon. Furthermore, the Naval Litigation Office, the forerunner of the Legal Services Support Group, was transferred from a management headquarters activity to a nonmanagement activity without any apparent change in its duties, missions, or functions, according to Navy documents.

Navy International Programs Office

The Navy International Programs Office, with 169 personnel, implements departmental policies and manages international efforts concerning research, development, and acquisition for the Navy, according to its mission statement. In our view, this office should have reported all of its personnel as management headquarters or headquarters support because most of the effort in four of its five directorates[3] was for functions covered by DOD Directive 5100.73, such as security, data automation, facilities, financial management, and policy-making.

Naval Information Systems Management Center

The Naval Information Systems Management Center had 139 personnel at the time of our review. The Center will be disestablished by September 1997, according to Navy officials, because the Navy is creating a chief information officer organization as required by the fiscal year 1996 DOD Authorization Act. According to its purpose and mission statement, the Center performs shore activities assigned by the Assistant Secretary of the Navy (Research, Development, and Acquisition). The Assistant Secretary is the Center's primary customer, according to officials. Created in 1991 and described as a "management support activity," the Center consolidated information technology functions centering on acquisition,

[3]The Arms Control Directorate, with 12 government personnel, has an operational mission to prepare Navy facilities for foreign inspections under various arms control agreements.

management oversight, software development, policy-making, and information security.

The Center's efforts, with the exception of the Contracting Directorate, met the criteria of the data automation headquarters support function defined in DOD Directive 5100.73. The Contracting Directorate, with 72 personnel, supported the Navy Department as a whole and not just management headquarters. Contracting is not a headquarters support function listed in DOD's directive. However, under the methodology in DOD's directive, the 67 personnel outside of the Contracting Directorate that performed headquarters support functions should have been reported on the Navy's PB-22 exhibit.

Air Force Secretariat and Air Staff

For fiscal year 1997, the Air Force had 2,460 personnel in the Air Force Secretariat and the Air Staff and 20,592 personnel in 40 direct reporting units and field operating activities that are subordinate to the Secretariat and the Air Staff. We reviewed five activities, using the criteria in DOD Directive 5100.73, and found that three activities—the Air Force Studies and Analysis Agency, the Air Force Medical Operations Agency, and the 497th Intelligence Group—with a total of 510 personnel, should have been reported by the Air Force to Congress as management headquarters or headquarters support activities but were not. The 11th Wing and the Air Force Frequency Management Agency are properly classified as a nonmanagement headquarters under the DOD directive.[4] Air Force officials did not agree with our assessment that three field operating agencies should be classified as headquarters support organizations.

Air Force Studies and Analysis Agency

The Air Force Studies and Analysis Agency has 132 personnel located in the Pentagon. It reports to the Deputy Chief of Staff for Plans and Operations. The agency primarily does modeling and simulation studies of air superiority, ground superiority, nuclear superiority, and campaign activities. This function is part of the operational analysis headquarters support function defined in DOD Directive 5100.73. Furthermore, its

[4]The 11th Wing administers the Air Force Band, the Air Force Honor Guard, and the Arlington National Cemetery Chaplaincy; operates Bolling Air Force Base; and supports the Air Force Secretariat, the Air Staff, designated Air Force field operating activities, and other organizations. We found that 415 personnel are located in the Pentagon primarily to support the Air Staff and the Secretariat with the following functions: chaplain, security police, supply, transportation, civil engineering, inspection/audit, communications/computer, contracting, medical, comptroller, operations, plans, programming, personnel, manpower, and legal. Because the Wing has 2,195 personnel, this level of headquarters support is less than 25 percent of the Wing's work and under DOD Directive 5100.73, the Air Force is not required to report these personnel on its PB-22 exhibit.

customers are management headquarters. A 1997 study plan for the Agency indicated that 35 of its 40 studies had DOD management headquarters as its customers, for example, OSD, the Joint Staff, and the Air Staff.

The Air Force redesignated the Agency in 1991. In 1984, its predecessor—a direct reporting unit to the Chief of Staff of the Air Force—was created in an apparent response to mandated reductions in management headquarters personnel. According to an Air Force document, the unit was created to "draw down" the size of the Air Staff by 162 personnel, but it stated "there will be no changes in administrative, manpower, personnel, and budget support as currently provided" and "there will be no 'real change' in the Air Staff status for the [Agency]." The Air Force's reclassification of these positions from management headquarters to nonmanagement headquarters became effective in September 1984, the deadline for a congressional provision to reduce DOD management headquarters by 5 percent.

Air Force Medical Operations Agency

The Air Force Medical Operations Agency has 73 personnel who are classified as medical services management, according to its unit manning document. The Agency develops policies and programs to improve aerospace medicine, preventive medicine, and clinical health services for the Air Force. The Agency's divisions perform many management headquarters or headquarters support functions included under medical services, a headquarters support function defined in DOD Directive 5100.73. The Agency's primary customers are the Surgeon General of the Air Force (to whom its director reports), the Chief of Staff of the Air Force, the Air Staff, and the Office of the Assistant Secretary of Defense for Health Affairs—all of which are headquarters officials or organizations. The Air Force created the Agency in July 1992 by transferring a directorate from the Surgeon General's office to the new Agency.

497th Intelligence Group

The 497th Intelligence Group, headquartered at Bolling Air Force Base, Washington, D.C., has 305 personnel. According to its master plan, its mission is "intelligence infrastructure and services (security, weapons system support, automation, and information operations) to defense community users worldwide." The unit's history states that the Group has a unique role of providing planning, policy implementation, and functional management support to the Air Staff and other DOD customers in

Washington, D.C., and around the world. Our analysis shows that over 50 percent of the Group's effort is for headquarters support functions, such as security, acquisition, and data automation support, as defined in DOD Directive 5100.73; therefore, under the directive, all of its personnel should have been reported on the Air Force's PB-22 exhibit.

U.S. Atlantic Command

For fiscal year 1997, the U.S. Atlantic Command (USACOM) had 501 personnel in its headquarters and 1,097 personnel in 13 noncombat activities subordinate to USACOM headquarters. We reviewed three of these activities, using the criteria in DOD Directive 5100.73, and found the Information Systems Support Group, with 117 personnel, and a portion of the Atlantic Intelligence Command, with 152 personnel, should be reported to Congress by DOD as headquarters support but were not. The Cruise Missile Support Activity is properly classified as a nonmanagement headquarters activity under the DOD directive. USACOM officials agreed that the Information Systems Support Group should be reported as a headquarters support activity, and one official noted that the Joint Staff had removed the Group from reporting under DOD's headquarters tracking program. An Atlantic Intelligence Command official said that the Intelligence Command is not a management headquarters because it does not create policy, review and evaluate programs, or conduct long-range planning. However, he agreed that the Intelligence Command provides intelligence services directly to management headquarters, which is a headquarters support function covered by DOD Directive 5100.73.

Information Systems Support Group

All of the 117 personnel in the Information Systems Support Group should be reported as headquarters support because more than 50 percent of the group's effort is to provide automated data processing support to a management headquarters, a support function covered by DOD Directive 5100.73. The Group provides analysis, programming, installation, and other technical support services to satisfy information system requirements of USACOM staff and subordinate commands; 24-hour operations and management of various computer systems, including the local area network at USACOM headquarters; and an inventory of automated data processing equipment under USACOM's Command, Control, Communication, and Computer System Directorate at headquarters. According to a Group official, USACOM could not function without the computer support provided by the Group.

The Group's personnel are collocated with headquarters personnel, and a USACOM headquarters official is "dual-hatted" as the Group's commander. Furthermore, these personnel were previously classified as management headquarters until 1992. All of these conditions are indicators of possible headquarters support activity, according to OSD/DA&M officials.

Atlantic Intelligence Command

At least 152, or 27 percent, of the Atlantic Intelligence Command's 572 personnel for fiscal year 1997 should be reported by DOD as management headquarters and/or headquarters support because they provide integral support to USACOM's Directorate of Intelligence by working there. In some Directorate of Intelligence divisions, the Atlantic Intelligence Command provides all of the personnel. For example, 78 personnel from the Atlantic Intelligence Command work in the Current Intelligence and Current Analysis Divisions in USACOM's Directorate of Intelligence.

The Atlantic Intelligence Command serves as USACOM's Joint Intelligence Center and, as such, provides tailored, on-demand, integrated intelligence products, services, and training for USACOM and manages its theater intelligence production program in support of national and theater requirements. The Intelligence Center's primary customers are USACOM and other unified commands, which are management headquarters, and the service component commands and their units, such as the Air Combat Command, a management headquarters. Under DOD Directive 5100.73, management of intelligence collection, analysis, production, and evaluation programs, and intelligence services provided directly to a management headquarters activity are covered functions.

U.S. Army Training and Doctrine Command

For fiscal year 1997, the U.S. Army Training and Doctrine Command (TRADOC) had 919 personnel in its headquarters and 1,393 personnel in 13 field operating activities subordinate to TRADOC headquarters. We reviewed four of these activities, using the criteria in DOD Directive 5100.73, and found that all personnel in three activities—the Training Operations Management Activity, the Training Development and Analysis Activity, and the Internal Review and Audit Compliance Activity—with a total of 112 personnel, should have been reported to Congress by the Army as management headquarters or headquarters support but were not. In addition, the Army should have reported a portion of the Combat Developments Field Operating Activity (52 personnel, or 26 percent) as headquarters support. TRADOC officials believe these field operating activities were properly classified as nonmanagement headquarters,

although they stated that the definition of management and headquarters support in DOD Directive 5100.73 needs to be clarified because it is open to interpretation.

Training Operations Management Activity

The Training Operations Management Activity has 42 personnel collocated with TRADOC headquarters personnel. It plans, coordinates, and oversees all of the Army's training courses conducted by centers and schools in the Total Army School System and is involved in curriculum development and review, a headquarters support function under DOD Directive 5100.73. The Activity oversees the documenting, programming, scheduling, equipment management, ammunition management, support systems management, and training for courses; according to a TRADOC official, it is the link between TRADOC headquarters and subordinate centers and schools. The Activity supports TRADOC headquarters and the Army by assessing the schools' capabilities to meet training requirements and by working within TRADOC headquarters to resolve problems at centers and schools.

Training Development and Analysis Activity

The Training Development and Analysis Activity, with 59 personnel, develops concepts, strategies, and guidance for current and future training; develops and reviews curricula; researches technology and initiatives for future training concepts; focuses on TRADOC-identified training problems; and develops technology-based solutions for TRADOC's Training Directorate. This Activity is collocated with TRADOC's headquarters, and part of it was previously reported as management headquarters. In addition, DOD Directive 5100.73 cites training and education as headquarters support functions.

Internal Review and Audit Compliance Activity

The Internal Review and Audit Compliance Activity, with 11 personnel, provides internal review and audit compliance services to TRADOC headquarters, the Reserve Officer Training Command Cadet Command, and the Army Training Support Center. Personnel from these offices were combined to create this field operating activity; previously, 9 of the 11 personnel were counted as part of TRADOC's headquarters. The inspection and evaluation of management headquarters activities and subordinate units is a headquarters support function, as is the management of audit programs, under the criteria in DOD Directive 5100.73.

Combat Developments Field Operating Activity

The Combat Developments Field Operating Activity, with 201 personnel, is responsible for coordinating and integrating delivery for approved combat

development requirement documents that support the development and fielding of materiel systems; conducting special experiments and studies; and managing the changes to current force designs used across the Army. The Activity's primary customer is TRADOC's Combat Developments Directorate, and in fiscal year 1994, over 100 personnel were transferred from this headquarters Directorate to the Activity. Today, most personnel assigned to the Activity are collocated with TRADOC headquarters personnel. Both collocation with headquarters and transfers of personnel from headquarters are indicators of possible headquarters support activity, according to OSD/DA&M officials.

According to DOD Directive 5100.73, the development and analysis of strategic, defensive, and tactical operations—including planning and requirements—provided directly to a management headquarters is a headquarters support function. Also, if an organization devotes more than 25 percent, but less than 50 percent, of its efforts to management headquarters support, then this portion of the organization's personnel should be included in the program. The Activity's records show 52 personnel within four divisions performing some management headquarters functions directly for management headquarters activities. These personnel accounted for 26 percent of the total personnel assigned to the Activity.

U.S. Army Forces Command

For fiscal year 1997, the U.S. Army Forces Command (FORSCOM) had 1,582 personnel in its headquarters[5] and 293 personnel in one field operating activity. A recent headquarters restructuring led FORSCOM to eliminate all but one of its field operating activities; the remaining organization is the FORSCOM Field Support Activity. This Activity should have been reported by the Army to Congress as a headquarters support activity but was not. FORSCOM officials did not dispute our evidence concerning the Activity, and they took no position on our conclusion that the Activity is merely an extension of FORSCOM headquarters and should be reported to Congress under the criteria in DOD Directive 5100.73. However, they did say that perhaps they were interpreting the directive incorrectly. We also reviewed the Army Signal Command, a new organization under FORSCOM created when the Army abolished the Information Systems Command. Although the Army previously reported the Information Systems Command, a major command, as a management headquarters, the Army Signal Command is not reported on the Army's PB-22 exhibit.

[5]However, 468 of these positions are not available to FORSCOM because they are being withheld by the Army, according to FORSCOM officials.

FORSCOM Field Support Activity

Since 1973, FORSCOM headquarters has had multiple field operating activities that have totaled more than 200 military and civilian personnel annually. However, a recent headquarters restructuring led FORSCOM to eliminate all but one of its field operating activities. The remaining organization is the FORSCOM Field Support Activity, with 293 military and civilian personnel in fiscal year 1997. None of these personnel are reported to the Congress as management headquarters or headquarters support personnel.

This Activity is not a discrete organization separate from headquarters. Activity personnel work in the headquarters building and are assigned to the same directorates, and many possess the same job series and grade levels as personnel designated as FORSCOM headquarters staff. For example, the Activity has 46 personnel identified as management analysts and 20 as logistics management specialists within its various work centers. Individual headquarters directors decided which positions were categorized as headquarters and which were counted in the Activity for each functional area. Furthermore, the head of the Activity is FORSCOM's Chief of Staff—a headquarters official; other managers in the Activity (two-star generals) are also dual-hatted as headquarters directors. According to OSD/DA&M officials, these conditions are indicators that an organization is performing management support functions.

During our audit, FORSCOM requested that the Army increase its management headquarters personnel ceiling by 100 to allow it to count some, but not all, Field Support Activity personnel as management headquarters. FORSCOM based its request on a recent FORSCOM headquarters restructuring that combined tasks, functions, and missions in a way that may have "clouded" the distinction between management headquarters and nonmanagement headquarters work, according to officials. The Army has not approved FORSCOM's request because of pending legislation that would reduce DOD management headquarters personnel, according to a FORSCOM official.

Army Signal Command

On September 16, 1996, the Army eliminated a major command when it transitioned its Information Systems Command to the Army Signal Command, a new subordinate command. The Army Signal Command operates several signal brigades and battalions worldwide. The Army does not report the Army Signal Command as a management headquarters, unlike its predecessor, because it is not a major command and all previous

management headquarters functions were transferred to FORSCOM and other Army commands, according to an Army official.

The Army's restructuring reduced the size of the Command's headquarters from 554 to 393 personnel by transferring several functions, such as publications and printing, engineering, acquisition, software development, and data processing, to other Army commands. While the new Command is more operationally oriented, more than two-thirds of its headquarters personnel are civilians. According to FORSCOM officials, civilians typically do not deploy; moreover, the Command has yet to determine the number that would. The Command continues to perform some headquarters support functions described in DOD Directive 5100.73. For example, it inspects and audits subordinate units, assesses training, and evaluates and monitors unit readiness. Moreover, neither the Army nor OSD have done a detailed analysis to determine the percentage of personnel that perform either management or management support functions. Without such an analysis, we believe it is questionable to exclude the Army Signal Command headquarters from the Army's PB-22 exhibit. Command officials agree that the Command continues to perform many of the same activities as when the Army reported it as a management headquarters, but they did not agree that the Command should be reported to Congress as a management headquarters or headquarters support activity.

Commander in Chief, U.S. Atlantic Fleet

For fiscal year 1997, the Commander in Chief, U.S. Atlantic Fleet (CINCLANTFLT) staff had 542 personnel in its headquarters and an additional 5,902 personnel in 25 direct reporting units subordinate to CINCLANTFLT. We reviewed two of these activities, using the criteria in DOD Directive 5100.73, and found that one of them—the Naval Shores Activities—with seven personnel, should have been reported by the Navy to Congress as a headquarters support activity but was not. CINCLANTFLT's Manpower Analysis Team was properly classified as a nonmanagement headquarters because its primary customers are nonmanagement headquarters shore activities. Some officials involved with the Naval Shore Activities believed it was not management headquarters because it does not control any resources and provides direct support to nonmanagement headquarters activities. However, other CINCLANTFLT officials involved with DOD's management headquarters program agreed that an error had occurred in classifying the activity as nonmanagement headquarters. They did not know why these personnel were not included in CINCLANTFLT's headquarters totals, but they believe that they should have been.

Naval Shore Activities

The Naval Shore Activities organization has seven personnel, some of which are dual-hatted in positions at CINCLANTFLT headquarters. All personnel are collocated with headquarters personnel and the Activities' funding is contained in a line item in DOD's Future Years Defense Program (FYDP) reserved for management headquarters activities. The Chief of Naval Operations notice establishing this organization in 1994 specifically created it as a management headquarters activity to coordinate shore activity support to operating forces, other naval activities, and tenant commands; command assigned shore installations; and perform other functions as directed by higher authority. This organization is being disestablished as of October 1, 1997.

Air Combat Command

For fiscal year 1997, the Air Combat Command had 2,284 personnel in its headquarters and 1,829 personnel in 16 field operating activities subordinate to Command headquarters. We reviewed five of the activities, using the criteria in DOD Directive 5100.73, and found that two—the Studies and Analyses Squadron and the Quality and Management Innovation Squadron—with 121 personnel, should have been reported by the Air Force to Congress as headquarters support organizations but were not. Three activities—the Logistics Support Group/Maintenance Support Office, the Civil Engineering Squadron, and the Intelligence Squadron—were properly classified as nonmanagement headquarters activities because their primary efforts were not headquarters support and/or their customers are mainly nonheadquarters organizations. Command officials agreed that the Studies and Analyses Squadron performed headquarters support functions as defined by DOD Directive 5100.73; thus, it should have been reported by the Air Force on its PB-22 exhibit. They did not agree that the Quality and Management Innovation Squadron provided headquarters support under the criteria in the DOD directive because they said that most of its effort was for bases and wings, not the headquarters.

Studies and Analyses Squadron

The Studies and Analyses Squadron, with 71 personnel, provides the Air Combat Command and Air Force senior leaders with analyses to support their decision-making. The Squadron uses simulation, modeling, and other analytical tools to provide specialized technical information to its customers—80 percent of whom are at the Command's headquarters, according to the Squadron's statistics. The Air Force activated the Squadron in 1994 as a result of the Air Force's reengineering efforts; previously, this function had been classified as a management

headquarters activity. Furthermore, the Squadron is collocated with the Command's headquarters. Both reclassification and collocation are indicators of possible headquarters support activity, according to OSD/DA&M officials.

Quality and Management Innovation Squadron

In October 1996, the Air Force merged the Air Combat Command's Management Engineering Flight, a field operating activity, with the Directorate of Quality Improvement, a headquarters unit that provided quality assurance evaluations for the Command. The Quality and Management Innovation Squadron, which resulted from the merger, has 50 personnel to provide quality innovation and manpower engineering services to improve the Command's processes and achieve efficiencies. The Squadron's primary customers are the Command's headquarters, wings, and units. Like the Studies and Analyses Squadron, this Squadron is collocated with Command headquarters; furthermore, 40 percent of its personnel were part of the headquarters until October 1996. According to DOD Directive 5100.73, management analysis and management engineering functions, including the analysis of systems, procedures, organizations, methods, and techniques and the development or maintenance of work measurement systems, are headquarters support functions. And although "quality management" is not specifically listed among the 33 headquarters support functions in DOD Directive 5100.73, OSD/DA&M officials told us that the list is not exclusive; that is, as new disciplines are developed, such as information management or quality management, these disciplines can be considered in analyzing organizations for compliance with the directive.

Air Education and Training Command

For fiscal year 1997, the Air Force's Air Education and Training Command had 1,206 personnel in its headquarters and 692 personnel in nine field operating activities subordinate to its headquarters. We reviewed all nine of these activities, using the criteria in DOD Directive 5100.73, and found that six—the Studies and Analysis Squadron, the Quality Management and Innovation Flight, the Computer Systems Support Squadron, the Training Support Squadron, the Air Operations Squadron, and the Civil Engineering Flight—with a total of 456 personnel, should have been reported to Congress by the Air Force as management headquarters or headquarters support but were not. Three activities—the Occupational Measurement Squadron, the Contracting Squadron, and the Program Management Flight—were properly classified as nonmanagement headquarters because these activities have significant Air Force or DOD-wide missions that are not considered management headquarters or headquarters support under

DOD Directive 5100.73. Command officials do not believe that any of the personnel assigned to their field operating activities should be reported as management headquarters or headquarters support because they do not develop policy, prepare plans, or allocate resources. However, Command officials acknowledged that the Command's field operating activities do perform some of the management support functions listed in DOD Directive 5100.73.

Studies and Analysis Squadron

The Studies and Analysis Squadron, with 56 personnel, conducts studies and tests at the direction of Air Education and Training Command headquarters to support decisionmaking at headquarters. The Squadron plans, executes, and reports on the tests of new and modified training systems. Previous projects included a study of basic military training and an economic analysis of the costs and benefits of an advanced training system for the Command's technical training. The Squadron's staff includes specialists in regression analysis, modeling and simulation, and electrical engineering analysis. As defined by DOD Directive 5100.73, professional, technical, or logistical support to a headquarters is a headquarters support function.

Quality Management and Innovation Flight

The Quality Management and Innovation Flight, with 21 personnel, provides Air Education and Training Command headquarters with quality management principles, management engineering activities, and productivity programs to improve the Command's mission performance, planning, and resource use. The Flight's specific responsibilities include facilitating the Command's strategic planning for quality, conducting unit self assessments, training quality management trainers at the subordinate units, and managing the Command's suggestion program. Moreover, the Flight commander said that, until January 1997, the eight personnel with quality management duties were attached to the Command Group within the headquarters. The remaining 13 personnel perform management engineering functions. The DOD directive identifies strategic planning and management engineering and analysis as management support functions, and OSD/DA&M officials said that quality management is also a management support function. Further, the transfer of personnel and functions from a headquarters to a subordinate organization is an indicator of possible management support activity, according to OSD/DA&M officials.

Computer Systems Support Squadron

The Computer Systems Support Squadron, with 148 personnel, is the central design activity for the Command's computer systems, and it

operates the headquarters computer network. This Squadron establishes the Command's software policy and standards and manages its radio frequency spectrum, land mobile radios, and cellular telephones. Furthermore, the Squadron conducts business process analyses to support the Command's current and future automation requirements. Computer support to headquarters, including data standardization and computer systems policy development, is considered a management support function, according to the DOD directive.

Training Support Squadron

The Training Support Squadron, with 89 personnel, develops training syllabi and courseware for both Command aircraft and undergraduate flight training and manages the Command's Graduate Evaluation Program. DOD Directive 5100.73 identifies the management of training and educational programs and curriculum development and review as management headquarters or headquarters support functions.

Air Operations Squadron

The Air Operations Squadron, with 77 personnel, is under the Operations Directorate and provides operational and readiness support, including crisis response, unit/individual deployments, contingency operations, and intelligence support to its headquarters, functions covered under DOD's directive. For example, the Squadron provides policy and procedures for conducting and evaluating headquarters deployment exercises, and its personnel collect and analyze readiness data on the Command's subordinate units.

Civil Engineering Flight

The Civil Engineering Flight, with 65 personnel, manages the Command's military construction, base realignment and closure programs, military family housing, and environmental projects, and it has specialized engineering and technical capabilities not found at base-level engineering squadrons. The Flight has design and construction management responsibilities and must approve all minor construction projects over $450,000. The management of engineering programs, including design development and review and technical review of construction, is a headquarters support function according to DOD's directive. Furthermore, Flight officials have determined that six personnel are performing headquarters support functions and should be transferred to Command headquarters. Although officials said the headquarters does not currently have the positions to allow this transfer, it would merely be a paper change because the Flight is collocated and fully integrated with the

Engineering Directorate branches it supports in headquarters. According to Command officials, the Flight is integrated with headquarters to save management overhead and to promote efficiency and effectiveness.

Numbered Air Forces

The Air Force has 16 active duty numbered air forces assigned to 6 of its 8 major commands. The Air Combat Command and the Pacific Air Forces have four numbered air forces each, while the Air Education and Training Command, the Air Force Space Command, the Air Mobility Command, and U.S. Air Forces Europe have two each. The Air Force Materiel Command and the Air Force Special Operations Command do not have any numbered air forces.

The 12th Air Force is the Air Force component command for the U.S. Southern Command, a unified command; as such, its principal mission is to ensure that its units can fulfill their military missions, including antidrug missions in the Southern Command's area of responsibility. However, the organizing, training, and equipping of assigned active wings is the responsibility of the Air Combat Command—the parent organization of the 12th Air Force. The 19th Air Force was reactivated in 1993 when the Air Education and Training Command was established. The 19th Air Force is responsible for almost all Air Force flight instruction, both general undergraduate, and specialized flight training for fighter, airlift, and tanker aircraft. It only has a training mission; its headquarters does not deploy for military operations.

The 12th and 19th Air Forces are organized differently because of their different missions and functions. The 12th Air Force headquarters contains a command group and four divisions. In addition, the 12th Air Force has 850 personnel in two squadrons and two groups that are designated as the Air Force's air component to the Southern Command. These 850 personnel are not considered part of the 12th Air Force headquarters. The 19th Air Force does not have this type of structure because it does not support a unified command. These two numbered air forces also have other organizational differences. For example, unlike the 12th Air Force headquarters, the 19th Air Force headquarters does not have an inspector general division, a manpower office, a Latin American Affairs office, a command historian, or protocol or public affairs officials.

Review Results

In 1992, the Secretary of the Air Force asked OSD/DA&M to exclude about 2,000 personnel in the numbered air force headquarters from the Air Force's management headquarters total. The Air Force provided documentation to OSD/DA&M concerning its plans to reorganize and reorient these headquarters into operational organizations. Management and administration functions that had been mixed among combat-oriented functions would be eliminated or realigned, according to the Air Force.

The Air Force's planned actions came as Congress mandated reductions in DOD management headquarters during fiscal years 1991-95.[1]

In 1992, OSD/DA&M approved the exclusion of numbered air forces from reporting under DOD's management headquarters program, subject to a review by OSD/DA&M in fiscal year 1993. However, OSD/DA&M did not review the numbered air forces. Starting with fiscal year 1993, the Air Force no longer reported numbered air forces headquarters personnel on its PB-22 exhibits sent to Congress. Yet, our review of the 12th and 19th Air Forces showed that the Air Force did not fully implement its planned reorganization and that numbered air forces continue to perform some management headquarters and headquarters support functions covered by DOD Directive 5100.73.

12th Air Force

The 12th Air Force headquarters, with 110 personnel, performs some management functions that, according to the Air Force's restructuring plan, were to be transferred to major commands or wings. For example, the plan said that numbered air force inspection functions were to be transferred to major commands. Yet, 12th Air Force headquarters has a 30-person inspector general office with responsibilities that include monitoring the operational readiness of subordinate guard and reserve units—a headquarters support function specifically listed in DOD Directive 5100.73. Additionally, the 12th Air Force headquarters has a two-person history office, a three-person manpower office, a protocol official, and a public affairs official. The proposed reorganization plan said that these functions would be transferred in their entirety to wings or major commands. Furthermore, the 12th Air Force headquarters has a Latin American Affairs office with 11 personnel responsible for managing an exchange program with Latin air forces. In sum, 48 of 110 headquarters personnel perform management or headquarters support functions.

19th Air Force

The 19th Air Force headquarters, with 99 personnel, oversees the Air Education and Training Command's flying training program and assesses compliance with the Command's training policies and directives. Headquarters support functions listed in DOD Directive 5100.73 and performed by the 19th Air Force include analyzing training results and overseeing unit readiness. In addition, its logistics branch, with seven personnel, manages the munitions and weapons program for the entire Command. This branch's responsibilities include providing guidance and

[1]National Defense Authorization Act for Fiscal Year 1991, sec. 906 (P.L. 101-510).

written direction to all munitions and weapons elements within the Command, consolidating and estimating munitions requirements, and representing the Command. The Command's Logistics Directorate is discussing the transfer of this function from the 19th Air Force to the Command's headquarters, according to a 19th Air Force official.

Objectives, Scope, and Methodology

Our objectives were to determine (1) the accuracy and reliability of DOD's reported data on management headquarters and headquarters support personnel and costs, (2) reasons that data on personnel and costs could be inaccurate, and (3) DOD's plans to reduce the size of its management headquarters and headquarters support activities.

To determine the accuracy and reliability of certain PB-22 cost data and the completeness of personnel data reported under DOD Directive 5100.73, we selected 10 headquarters to review. We chose organizations from the following categories: Defense-wide headquarters, military department headquarters, and unified command headquarters. Given congressional interest in headquarters in the Washington, D.C., area, we included four of these organizations in our review. To minimize travel costs, we also selected DOD organizations near our available GAO staff in Norfolk, Virginia, and Atlanta, Georgia. The headquarters we reviewed were

- Office of the Secretary of Defense, Pentagon, Arlington, Virginia;
- Army Secretariat and Army Staff, Pentagon, Arlington, Virginia;
- Navy Secretariat and OPNAV, Pentagon, Arlington, Virginia;[1]
- Air Force Secretariat and Air Staff, Pentagon, Arlington, Virginia;
- U.S. Atlantic Command, Norfolk, Virginia;
- Navy's Commander in Chief, Atlantic Fleet, Norfolk, Virginia;
- U.S. Army Training and Doctrine Command, Fort Monroe, Virginia;
- Air Combat Command, Langley Air Force Base, Virginia;
- U.S. Army Forces Command, Fort McPherson, Georgia; and
- Air Education and Training Command, Randolph Air Force Base, Texas

In addition to these headquarters, we visited two numbered air forces because our review of DOD records indicated these organizations had been reported as management headquarters, and after a reorganization in the early 1990s, questions remained about the extent of management and headquarters support functions continuing at these organizations. We visited the 12th Air Force, Davis-Monthan Air Force Base, Arizona, and the 19th Air Force, collocated with the Air Education and Training Command. As part of our FORSCOM review, we visited one of its subordinate commands, the Army Signal Command, Fort Huachuca, Arizona. This Command had been reported as a management headquarters when it was an independent major command, the Information Systems Command.

At each of the 10 headquarters organizations we audited, we judgmentally selected subordinate noncombat organizations to review. We selected

[1]Due to time constraints, we did not review Headquarters, Marine Corps.

organizations based on a variety of factors, including the organizations' names, missions, and functions, and conditions that OSD/DA&M officials agreed may indicate that an organization is providing management support. These indicators, also called "red flags" by OSD/DA&M, are headquarters officials serving additional duty as senior officials in the subordinate organization (called "dual hatting"), transfer of personnel from headquarters to create or augment subordinate organizations, diverse functions that mirror headquarters functions, and collocation of the subordinate organization with its headquarters. Although the presence of one or more of these indicators is not conclusive, it led us to perform the analysis called for in DOD Directive 5100.73. In general, our analysis involved reviewing mission and functions documents, organizational manning documents, and organizational history. We also discussed the organization's activities, products, services, customers, and relationship with headquarters with cognizant officials in the subordinate organization and in its headquarters. The primary disadvantage to this approach is that our findings cannot be generalized to DOD as a whole or to entire types of DOD organizations because we did not randomly sample the organizations we reviewed. The primary advantage is that we obtained an in-depth understanding of each organization reviewed, which gave us adequate information to judge compliance with DOD Directive 5100.73.

Both the FYDP and PB-22 exhibits contain errors that make them unreliable for assessing the resources expended by DOD for management headquarters and headquarters support activities. According to DOD Directive 5100.73, program elements (or line items) in the FYDP that end in "98" are reserved exclusively to account for personnel and costs of DOD's management headquarters and headquarters support activities. In the FYDP, we found costs in "98" program elements that were not related to management headquarters. An official in the Office of the Under Secretary of Defense (Comptroller), who performed her own analysis of these program elements, also found costs unrelated to management headquarters, particularly in Navy and Defense-wide program elements. For PB-22 cost data, we performed a limited check of the data's accuracy for one fiscal year by comparing the PB-22 data with financial records at the headquarters spending the money. As discussed previously, at many headquarters we found significant discrepancies between costs reported on the PB-22 exhibits and costs incurred by headquarters. With respect to PB-22 personnel data, OSD/DA&M acknowledged that these exhibits contain errors. For example, in the Defense-wide PB-22 exhibit prepared for the President's budget for fiscal year 1998, OSD did not report the headquarters of five defense agencies that it agrees should have been reported. For the

personnel numbers that were reported on the PB-22 exhibits, we did not independently verify their accuracy.

To determine past and projected trends in DOD's management headquarters personnel and costs, as reported by DOD, we used annual PB-22 exhibits prepared by OSD and the military departments and submitted to Congress. For management headquarters data beyond fiscal year 1999, we used DOD's 1998-2003 FYDP.

To obtain information on plans to reduce the size of DOD's management headquarters, we interviewed officials in the 10 headquarters organizations we audited and OSD and military service officials who are involved with studies of management headquarters, such as the study called for by the Quadrennial Defense Review report.

We performed our review from October 1996 to August 1997 in accordance with generally accepted government auditing standards.

Comments From the Department of Defense

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ADMINISTRATION &
MANAGEMENT

01 OCT 1997

Mr. Richard Davis
Director, National Security Analysis
National Security and International Affairs Division
U.S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Davis:

This is the Department of Defense (DoD) response to the General Accounting Office (GAO) draft report, "DEFENSE HEADQUARTERS: Total Personnel and Costs are Significantly Higher than Reported to Congress" dated September 2, 1997 (GAO Code 701105/OSD Case 1455).

RECOMMENDATION 1: The GAO recommends that the Secretary of Defense revise DoD Directive 5100.73 to expand its coverage and simplify its criteria for counting DoD organizations as management headquarters or headquarters support. The GAO notes that the revised definition should count all personnel assigned to all noncombat organizations that are subordinate to DoD management headquarters, down to the major command level. The GAO also notes that this would include field operating activities, direct reporting units, and other similar organizations that provide support to their parent headquarters. It also notes, however, that the revised definition should permit "common sense exemptions," such as the students and faculty of military academies and for component-wide operating-type services, such as payroll services.

The Department of Defense PARTIALLY CONCURS with Recommendation 1. While the report focuses on deficiencies in the *implementation* of the policies and procedures found in DoD Directive 5100.73, it is recognized that, in some cases, the process for analyzing DoD organizations, to determine whether they should be included in management headquarters budget exhibits, can be complicated, labor intensive, and subjective in nature. At the same time, it must be realized that the Department has a large, complex, and diverse organizational structure that makes it impossible to develop a simple standardized definition that can be universally applied in a fair and equitable manner. Even the proposed GAO definition would provide for "common sense exemptions" that, except for a few examples, are themselves undefined in the GAO report. Thus, as with the current definition, there will always be a "gray area" that is difficult to define and subject to interpretation.

Nonetheless, the Department is open to suggestions that will improve the operation of the program through the modification of policies, procedures, definitions, or criteria. Accordingly, a

Management Headquarters Working Group has been established to review the DoD Management Headquarters Program and develop recommendations as to whether DoD Directive 5100.73 should be revised, replaced, or augmented, and whether Management Headquarters/Headquarters Support definitions need to be revised to ensure that they are applied uniformly throughout the Department of Defense. It is expected that the work of the Group will be completed by the end of January 1998, at which time recommendations will be forwarded to the Secretary of Defense, as appropriate. It should be noted, however, that any changes in the definition of Management Headquarters/Headquarters Support will alter the identifiable universe of associated activities and necessitate the establishment of a new baseline for the purpose of programming new reductions or measuring progress towards previously established downsizing goals.

RECOMMENDATION 2: The GAO recommends that the Secretary of Defense direct the Under Secretary of Defense (Comptroller) to report the total cost, including all appropriations, of DoD's Management Headquarters in one document, such as in DoD's Operations and Maintenance Budget Overview Book where total personnel are summarized.

The Department of Defense CONCURS with this recommendation. The Under Secretary of Defense (Comptroller) has already taken steps to ensure the accuracy and integrity of Management Headquarters data. Specifically, the Comptroller, in conjunction with the Director, Administration and Management and Under Secretary of Defense (Personnel and Readiness), has revised the PB-22 Management Headquarters Budget Exhibit to improve its clarity, eliminate inconsistencies in data reporting, and provide standardization of data across DoD Components. The revised exhibit (Attachment 1) should correct the discrepancies in data reporting that were identified during the recent Quadrennial Defense Review and GAO Review. Beginning with the FY 1999 President's Budget submission, this exhibit, displaying the total costs for DoD Management Headquarters, will be included in Volume II of the Operation and Maintenance, Defense-Wide justification data book.

The report has also been reviewed for technical accuracy. Corrections, clarifications, and additional comments are provided at Attachment 2.

The Department appreciates the opportunity to comment on the draft report.

Sincerely,

D. O. Cooke
Director

Attachments

cc: Inspector General, DoD

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